



Rand West City Local Municipality  
(Registration number GT485)  
Financial Statements  
for the year ended 30 June 2019

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

## General Information

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### Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

### Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

### Members of Council

Executive Mayor

Cllr. B.Mahuma (from 31 July 2019)

Speaker

Cllr. V. Nqina-Mzondeki

Council Whip

Cllr. M. Jokazi

Members of Mayoral Committee

MMC Corporate Support Services: Cllr. S. Moumakwe

MMC Finance: Cllr. T. Grobler

MMC LED: Cllr. N. Khenene

MMC Planning and Human Settlement: Cllr. S. Mazibuko

MMC Social and Health Services: Cllr. N. Mapena-Dlamini

MMC Water, Energy and Sanitation: Cllr. D. Sithole

MMC Sports, Recreation, Arts and Culture: Cllr. N.D. Molatlegi

MMC Roads, Transport and Stormwater: Cllr. G. Khoza

MMC Parks, Cemeteries and Waste Management: Cllr. D. Molebatsi

MMC Public Safety: Cllr. J. Legoete

Councillors

Cllr. B. Montsho (Ward 01)

Cllr. M. Mtyotywa (Ward 11)

Cllr. D. Machaba (Ward 12)

Cllr. M. Ndamane (Ward 13)

Cllr. K. Tsotetsi (Ward 14)

Cllr. D. Mbulula (Ward 16)

Cllr. T. Tlholoe (Ward 18)

Cllr. M. Sello (Ward 19)

Cllr. P. Faku (Ward 22)

Cllr. N. Matiwane (Ward 24)

Cllr. A. Saba (Ward 25)

Cllr. W. Matshaya (Ward 26)

Cllr. W. Njani (Ward 28)

Cllr. N. Kolo (Ward 29)

Cllr. M. Ngamntwini (Ward 30)

Cllr. I. Merabe (Ward 33)

Cllr. N Ncele (Ward 34)

Cllr. N. Baza (Ward 35)

# Rand West City Local Municipality

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Cllr. A. Van Tonder (Ward 03)

Cllr. S. Erasmus (Ward 04)

Cllr. E. De Lange (Ward 06)

Cllr. C. Harrison (Ward 07)

Cllr. P. Dick (Ward 09)

Cllr. G. Samson (Ward 10)

Cllr. I. Ramphore (Ward 20)

Proportional Representative Councillors:

Cllr. G. Kruger

Cllr. B.C. Dreyer

Cllr. H. Hild

Cllr. J. Marite

Cllr. J. Letlhake

Cllr. N. Williams

Cllr. P. Mavuso

Cllr. P. Francis

Cllr. S. Sekhokho

Cllr. J. Biyela

Cllr. F. Bergman

Cllr. M.E. Matlaila

Cllr. B. Munyai

Cllr. A. Zingela

Cllr. J. Matebesi

Cllr. B. Ramaphala

Cllr. M. Ramothhale

Cllr. B. Letlhake

Cllr. J. Letsholo

Cllr. M. Sethepo

Cllr. M. Mthimkhulu

Cllr. T.S. Mngomezulu

Cllr. M. Nkoe

Cllr. C. Brough

Cllr. T. Seshoka

Cllr. T.E. Stefane

Cllr. F. Volgraaff

Cllr. A. Sityebi-Mabuya

Cllr. T. Mazula

Cllr. N. Kiewiertz

Cllr. P. Chabane

**Grading of local authority**

Grade 4

**Accounting Officer**

T. Goba

**Acting Chief Financial Officer**

N. Madonsela

**Registered office**

Corner Sutherland & Pollock street  
Randfontein  
1760

# Rand West City Local Municipality

(Registration number GT485)

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## General Information

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<b>Postal address</b>	P. O. Box 218 Randfontein 1760
<b>Bankers</b>	First National Bank Ltd
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Bhika Calitz Attorneys  Fick Attorneys  Geldenhuys Van Ryneveld Attorneys  Legwale Attorneys  Malatji Attorneys  Matseke Attorneys  Motlatsi Seleke Attorneys  Naidoo and Associates Incorporated  Steyn and Steyn Attorneys  Thaanyane Attorneys
<b>Currency</b>	South African Rand
<b>Rounding off</b>	Nearest Rand
<b>Telephone number</b>	011 411 0000
<b>Fax number</b>	011 693 1394
<b>Website</b>	<a href="http://www.randwestcity.gov.za">www.randwestcity.gov.za</a>

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
SPCA	Society for the Prevention of Cruelty to Animals
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
SARS	South African Revenue Services
VAT	Value Added Tax of 1991
SDL	Skills Development Levy

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 36 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019.



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**Accounting Officer**  
**T. Goba**

**Randfontein**

**30 August 2019**

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 78 816 647 (2018: deficit R 200 927 875).

### 2. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints. See note 54 for details.

### 3. Fruitless and wasteful expenditure

Given the current financial position of the municipality, there were instances where the municipality incurred interest due to late payment of creditor accounts. The interest incurred in this respect was unavoidable and has been disclosed in note 57.

### 4. Irregular expenditure

The municipality embarked on an overall review of the supply chain management function with the aim to support and implement a sustainable change within supply chain management. As part of its review, management conducted a detailed review of contracts that were awarded by the municipality. This review included confirming the scope and extent of contracts that were irregular.

This has resulted in a significant increase in the reported irregular expenditure. This increase resulted from irregular expenditure emanating from contracts awarded in the prior years. See note 58 for current financial period irregular expenditure incurred.

### 5. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant is the continued funding by National and Provincial government for operational and capital activities. Refer to note 54 for details.

### 6. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the year except for those mentioned in note 55.

### 7. Accounting policies

The financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

### 8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

Name  
T. Goba

# **Rand West City Local Municipality**

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Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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### **9. Secretary**

The Secretarial function was performed by the Department of Corporate Support Services.

### **10. Corporate governance**

#### **General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Executives Committee meetings and monitor the municipality's compliance with the code on a monthly basis.

### **11. Bankers**

For the year under review, the primary bank account of Rand West City Local Municipality was First National Bank.

### **12. Auditors**

Auditor General of South Africa will continue in office for the next financial year.

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	30 016 660	43 051 043
Receivables from exchange transactions	4	183 196 584	148 872 533
Receivables from non-exchange transactions	5	34 821 184	40 921 453
Prepayments	6	906 708	967 085
Inventories	7	2 751 448	2 909 183
Long term receivables	8	669 238	1 307 795
Investments	9	4 176 040	12 957 188
		<b>256 537 862</b>	<b>250 986 280</b>
<b>Non-Current Assets</b>			
Long term receivables	8	447 928	1 049 201
Biological assets that form part of an agricultural activity	10	528 054	614 857
Investment property	11	246 132 189	237 550 083
Property, plant and equipment	12	4 010 586 234	3 811 762 286
Intangible assets	13	7 338 918	8 614 870
Heritage assets	14	4 266 090	4 284 231
		<b>4 269 299 413</b>	<b>4 063 875 528</b>
<b>Total Assets</b>		<b>4 525 837 275</b>	<b>4 314 861 808</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	940 629 983	663 778 291
Payables from non-exchange transactions	16	20 395 943	34 432 052
VAT payable	17	58 739 411	78 690 789
Unspent conditional grants and receipts	18	12 757 592	12 576 908
Consumer deposits	19	56 667 054	61 048 090
Finance lease obligation	20	9 091 623	909 186
Borrowings	21	-	1 428 712
Provisions	22	13 223 395	11 993 968
		<b>1 111 505 001</b>	<b>864 857 996</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	20	20 123 504	-
Provisions	22	161 533 593	151 537 716
Employee benefit obligation	23	180 558 427	167 532 700
		<b>362 215 524</b>	<b>319 070 416</b>
<b>Total Liabilities</b>		<b>1 473 720 525</b>	<b>1 183 928 412</b>
<b>Total Net Assets</b>		<b>3 052 116 750</b>	<b>3 130 933 396</b>
Reserves			
Revaluation reserve		1 670 942	1 670 942
Accumulated surplus		3 050 445 808	3 129 262 454
<b>Total Net Assets</b>		<b>3 052 116 750</b>	<b>3 130 933 396</b>

\* See Note 51

# Rand West City Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	969 280 805	928 251 158
Rental of facilities and equipment	25	2 122 824	655 825
Interest received - investment	26	2 649 064	5 047 948
Interest received - outstanding receivables	27	35 926 216	23 616 118
Income from agency services	28	20 520 652	22 008 414
Other income	29	26 885 542	20 566 577
<b>Total revenue from exchange transactions</b>		<b>1 057 385 103</b>	<b>1 000 146 040</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	30	187 138 949	167 986 191
<b>Transfer revenue</b>			
Government grants & subsidies	31	556 688 464	479 629 202
Public contributions and donations	32	40 422 137	37 691 442
Fines	33	8 140 796	14 938 626
<b>Total revenue from non-exchange transactions</b>		<b>792 390 346</b>	<b>700 245 461</b>
<b>Total revenue</b>		<b>1 849 775 449</b>	<b>1 700 391 501</b>
<b>Expenditure</b>			
Employee related costs	34	(537 515 232)	(535 676 718)
Remuneration of councillors	35	(26 759 488)	(26 355 498)
Depreciation and amortisation	36	(171 054 980)	(187 394 396)
Impairment loss of assets	37	(12 076 561)	(13 803 798)
Finance costs	38	(72 907 887)	(63 172 381)
Debt impairment	39	(98 328 848)	(130 715 790)
Assets derecognised	40	(30 361 295)	(31 796 020)
Bulk purchases	41	(727 102 227)	(683 953 752)
Contracted services	42	(150 236 670)	(71 510 004)
Transfers and subsidies	43	-	(1 590 000)
General expenses	44	(121 860 017)	(175 861 236)
<b>Total expenditure</b>		<b>(1 948 203 205)</b>	<b>(1 921 829 593)</b>
<b>Operating deficit</b>		<b>(98 427 756)</b>	<b>(221 438 092)</b>
Gain on disposal of assets	45	4 842 982	-
Fair value adjustments	46	8 466 053	8 667 563
Actuarial gains	23	6 302 074	11 842 654
		<b>19 611 109</b>	<b>20 510 217</b>
<b>Deficit for the year</b>		<b>(78 816 647)</b>	<b>(200 927 875)</b>

\* See Note 51

# Rand West City Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	1 670 942	3 337 911 872	3 339 582 814
Adjustments			
Prior year adjustments*	-	(7 721 543)	(7 721 543)
<b>Restated* Balance at 01 July 2017</b>	<b>1 670 942</b>	<b>3 330 190 329</b>	<b>3 331 861 271</b>
Changes in net assets			
Restated* Deficit for the year	-	(200 927 875)	(200 927 875)
Total changes	-	(200 927 875)	(200 927 875)
<b>Restated* Balance at 01 July 2018</b>	<b>1 670 942</b>	<b>3 129 262 455</b>	<b>3 130 933 397</b>
Changes in net assets			
Deficit for the year	-	(78 816 647)	(78 816 647)
Total changes	-	(78 816 647)	(78 816 647)
<b>Balance at 30 June 2019</b>	<b>1 670 942</b>	<b>3 050 445 808</b>	<b>3 052 116 750</b>

\* See Note 51

# Rand West City Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation and fines		145 955 622	188 953 051
Sale of goods and services		881 433 023	845 048 466
Grants		556 869 148	429 931 141
Interest income		2 649 064	5 047 948
Other receipts		43 522 294	87 710 177
		<u>1 630 429 151</u>	<u>1 556 690 783</u>
<b>Payments</b>			
Employee and councillors costs		(548 668 505)	(547 459 036)
Suppliers		(733 911 392)	(822 385 727)
Finance costs		(30 955 782)	(23 735 063)
		<u>(1 313 535 679)</u>	<u>(1 393 579 826)</u>
<b>Net cash flows from operating activities</b>	47	<b><u>316 893 472</u></b>	<b><u>163 110 957</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(341 439 746)	(231 729 799)
Proceeds from sale of property, plant and equipment	45	4 842 982	-
Purchase of intangible assets	13	-	(1 859 071)
Decrease / (Increase) in investments		8 781 148	(725 872)
Decrease in long term receivables		1 239 830	340 265
		<u>(326 575 786)</u>	<u>(233 974 477)</u>
<b>Net cash flows from investing activities</b>		<b><u>(326 575 786)</u></b>	<b><u>(233 974 477)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1 428 712)	(4 888 520)
Finance lease payments		(1 923 357)	(9 139 883)
		<u>(3 352 069)</u>	<u>(14 028 403)</u>
<b>Net cash flows from financing activities</b>		<b><u>(3 352 069)</u></b>	<b><u>(14 028 403)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b><u>(13 034 383)</u></b>	<b><u>(84 891 923)</u></b>
Cash and cash equivalents at the beginning of the year		43 051 043	127 942 966
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>30 016 660</u></b>	<b><u>43 051 043</u></b>

\* See Note 51

# Rand West City Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	1 113 664 347	129 085 000	1 242 749 347	969 280 805	(273 468 542)	60.01
Rental of facilities and equipment	2 840 769	(1 000 000)	1 840 769	2 122 824	282 055	60.02
Interest received - outstanding receivables	26 077 327	-	26 077 327	35 926 216	9 848 889	60.03
Income from agency services	30 180 663	-	30 180 663	20 520 652	(9 660 011)	60.04
Other income	31 650 478	(2 726 000)	28 924 478	26 885 542	(2 038 936)	60.05
Interest received - investment	3 397 824	-	3 397 824	2 649 064	(748 760)	60.06
<b>Total</b>	<b>1 207 811 408</b>	<b>125 359 000</b>	<b>1 333 170 408</b>	<b>1 057 385 103</b>	<b>(275 785 305)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	234 508 436	(10 111 992)	224 396 444	187 138 949	(37 257 495)	60.07
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##### Transfer revenue

Government grants & subsidies	613 063 455	(58 399 890)	554 663 565	556 688 464	2 024 899	60.08
Public contributions and donations	-	-	-	40 422 137	40 422 137	60.09
Fines	18 598 962	(6 000 000)	12 598 962	8 140 796	(4 458 166)	60.10

<b>Total</b>	<b>866 170 853</b>	<b>(74 511 882)</b>	<b>791 658 971</b>	<b>792 390 346</b>	<b>731 375</b>	
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<b>Total revenue</b>	<b>2 073 982 261</b>	<b>50 847 118</b>	<b>2 124 829 379</b>	<b>1 849 775 449</b>	<b>(275 053 930)</b>	
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#### Expenditure

Employee related costs	(527 094 778)	8 000 000	(519 094 778)	(537 515 232)	(18 420 454)	60.11
Remuneration of councillors	(28 206 759)	-	(28 206 759)	(26 759 488)	1 447 271	60.12
Depreciation and amortisation	(178 507 680)	-	(178 507 680)	(171 054 980)	7 452 700	60.13
Impairment loss of assets	-	-	-	(12 076 561)	(12 076 561)	60.14
Finance costs	(8 430 575)	(20 000 000)	(28 430 575)	(72 907 887)	(44 477 312)	60.15
Debt impairment	(79 671 779)	(36 000 000)	(115 671 779)	(98 328 848)	17 342 931	60.16
Assets derecognised	-	-	-	(30 361 295)	(30 361 295)	60.17
Repairs and maintenance	(101 600 939)	407 239	(101 193 700)	(40 506 540)	60 687 160	60.18
Bulk purchases	(694 221 392)	(36 000 000)	(730 221 392)	(727 102 227)	3 119 165	60.19
Contracted services	(46 566 177)	(95 977 044)	(142 543 221)	(150 236 670)	(7 693 449)	60.20
Transfers and subsidies	(1 590 000)	-	(1 590 000)	-	1 590 000	60.21
General expenses	(102 427 673)	10 281 223	(92 146 450)	(81 353 477)	10 792 973	60.22

<b>Total expenditure</b>	<b>(1 768 317 752)</b>	<b>(169 288 582)</b>	<b>(1 937 606 334)</b>	<b>(1 948 203 205)</b>	<b>(10 596 871)</b>	
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<b>Operating Surplus (Deficit)</b>	<b>305 664 509</b>	<b>(118 441 464)</b>	<b>187 223 045</b>	<b>(98 427 756)</b>	<b>(285 650 801)</b>	
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Gain on disposal of assets	-	-	-	4 842 982	4 842 982	60.23
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Fair value adjustments	-	-	-	8 466 053	8 466 053	60.24
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Actuarial gains	-	-	-	6 302 074	6 302 074	60.25
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	-	-	-	19 611 109	19 611 109	
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<b>Surplus (Deficit) for the year</b>	<b>305 664 509</b>	<b>(118 441 464)</b>	<b>187 223 045</b>	<b>(78 816 647)</b>	<b>(266 039 692)</b>	
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# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Rand West City Local Municipality's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### 1.3.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

##### 1.3.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### 1.3.3 Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service identifiable categories across all debtor classes.

##### 1.3.4 Impairment of property, plant and equipment, heritage assets and intangible assets

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### 1.3 Use of estimates (continued)

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

#### 1.3.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgments is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

#### 1.3.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgments on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.4 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through MFMA and the appropriate legislation.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2018 to 6/30/2019.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.5 Investments in controlled entities

#### 1.5.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

#### 1.5.2 Cash generating assets

Cash generating assets are those assets held by Rand West City Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

#### 1.5.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

#### 1.5.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Rand West City Local Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating: the future cash inflows used to determine the asset's or cash generating unit's value in use; and the future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

#### 1.5.5 Costs of disposal

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### 1.5 Investments in controlled entities (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

#### 1.5.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 1.5.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

#### 1.5.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

#### 1.5.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

#### 1.5.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### 1.5.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

#### 1.5.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

#### 1.5.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

#### 1.5.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

#### 1.5.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Rand West City Local Municipality from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:

- Property, plant and equipment;
- Investment property;
- Intangible asset ; and
- Heritage assets.

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### 1.5 Investments in controlled entities (continued)

#### 1.5.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

#### 1.5.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

#### 1.5.18 Useful life

Useful life is either the period of time over which an asset is expected to be used by Rand West City Local Municipality or the number of production or similar units expected to be obtained from the asset by Rand West City Local Municipality.

#### 1.5.19 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Rand West City Local Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or over capacity asset.

Over designed assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### 1.6 Investments in associates

Cash includes cash on hand (including petty cash) and cash with banks (including call and fixed deposits). Cash equivalents are short term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

### 1.7 Receivables from exchange transactions

Receivables from exchange transactions arise revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable which has not yet been paid.

Receivables from exchange transactions are recognised initially at fair value, plus transaction costs and subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

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### 1.7 Receivables from exchange transactions (continued)

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice. An impairment allowance for impairment of receivables is established when there is objective evidence that Rand West City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in statement of financial performance.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### 1.8 Receivables from non-exchange transactions

Receivables from non-exchange transactions are receivables from transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Receivables from non exchange transactions are recognised initially at fair value, plus transaction costs and subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

#### 1.8.1 Property rates

Property rates receivables are taxes where economic benefits or service potential are payable to Rand West City, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

#### 1.8.2 Traffic fines

Traffic fines are economic benefits or service potential received or receivable by the municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. The fines are assessed for impairment and recoverability at the end of each financial year which reduces the gross amount due to Rand West City.

#### 1.8.3 Sundry debtors

Sundry debtors are miscellaneous amounts owed to Rand West City and are assessed for impaired which reduces the gross amount.

#### 1.8.4 Gauteng Department of Human Settlements

This is a receivable of money gazetted and owing to Rand West City grants and subsidies not yet transferred to the municipality. The receivable is recognised as an asset where the future events are under the municipality's control and until the funds are transferred to Rand West City.

### 1.9 Prepayments

A prepayment is the settlement of expenditure or capital expenditure before the goods are delivered or services are rendered. A prepayment can either be made for the entire balance of a liability or for an upcoming payment that is paid in advance of the date for which the municipality is contractually obligated to pay. Rand West City Local Municipality recognises prepayments as current assets and subsequently expenses or capitalises them when the goods are received or services are rendered.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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### 1.10 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Long term receivables

Long term receivables are consumer debtors who enter into an arrangement with the municipality to pay over an agreed period of time. They are recognised as an asset with the current portion being due within 12 months and the non current portion due more than 12 months as at the end of the financial year. The carrying amount is net of debt impairment which is the loss of value in the long term receivable and the impairment is recognised as an expense in the statement of financial performance.

### 1.12 Construction contracts and receivables

A long-term investment is an account on the asset side of a municipality's statement of financial position that represents the municipality's investments, including stocks, bonds, real estate and cash, that it intends to hold for interest or security.

A current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.

A long term investment is an investment other than a current investment.

The carrying amount for investments is the market value which generally provides the best evidence of fair value. The increase or decrease in investment is accounted for in the statement of financial performance.

### 1.13 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

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### 1.13 Biological assets that form part of an agricultural activity (continued)

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

### 1.14 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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### 1.14 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.15 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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### 1.15 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Leased assets	Straight line	3 - 7 years
Library books	Straight line	3 - 50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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### 1.15 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

### 1.16 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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### 1.16 Intangible assets (continued)

Item	Useful life
Servitudes	Indefinite
Computer software	3 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.17 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as a heritage asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluation is performed every five years.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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### 1.17 Heritage assets (continued)

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.18 Payables from exchange transactions

Payables from exchange transactions is money owing by the municipality in exchange for goods and services and are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

### 1.19 Payables from non exchange transactions

Payables from non exchange transactions is money owing by the municipality for which there was no exchange for goods and services and are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

### 1.20 Unspent conditional grants

This is represented funds unspent at the end of the financial year on grants received from national and provincial government or any other external party that can only be spent for the condition for which it was received. The amount is recognised as a current liability until the conditions of the grant are met or the money is transferred back to the funder.

### 1.21 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

### 1.22 Value added tax (VAT)

The municipality accounts for VAT on an accrual basis and is registered with the South African Revenue Services (SARS) for VAT on the payments (cash) basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.23 Leases

At inception of an arrangement, Rand West City Local Municipality determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, Rand West City Local Municipality assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

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### 1.23 Leases (continued)

#### Finance leases - Rand West City Local Municipality lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### Finance leases - Rand West City Local Municipality lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Rand West City Local Municipality will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

#### Operating leases - Rand West City Local Municipality lessor

Rand West City Local Municipality presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Rand West City Local Municipality's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Rand West City Local Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

#### Operating leases - Rand West City Local Municipality lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.24 Borrowings

Borrowings are long term and short term loans obtained by the municipality from financial institutions for the purpose of capital or operating expenses and interest is charged to the principal debt.

The portion of borrowings due within twelve months of the financial reporting date is disclosed as a current liability and the portion due in more than twelve months of reporting date is disclosed as a non current liability.

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### 1.25 Provisions

A provision is a liability of uncertain timing or amount. Rand West City Local Municipality recognises provisions when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.26 Employee benefit obligation

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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### 1.26 Employee benefit obligation (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### 1.26.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Rand West City Local Municipality has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

#### 1.26.2 Defined contribution pension plan and defined benefit pension plans

Rand West City Local Municipality contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

#### 1.26.3 Retirement benefits

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### 1.26 Employee benefit obligation (continued)

Defined contribution plans are post-employment benefit plans under which Rand West City Local Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

#### 1.26.4 Defined benefit plans - Post-retirement health care benefits

Rand West City Local Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

#### 1.26.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Rand West City Local Municipality provides the following additional payments to employees based on certain criteria:

#### 1.26.6 Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

#### 1.26.7 Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Rand West City Local Municipality's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation.

The present value of the obligation is recognised on the Statement of Financial Position.

### 1.27 Compound instruments

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial period are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

### 1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued heritage assets increase or decrease in value every five years. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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### 1.29 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Rand West City Local Municipality, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Rand West City Local Municipality and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.
- Rand West City Local Municipality derives revenue from exchange and non-exchange transactions.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

#### 1.29.1 Service charges:

Rand West City Local Municipality recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Rand West City Local Municipality.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period.

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### 1.29 Revenue from exchange transactions (continued)

An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period. Residential sanitation service charges are based on taking 30kl of water consumption and multiply by applicable tariff for financial period. Business sanitation service charges are based on taking the twelve months water consumption multiply by the applicable. Basic Sewerages are based on taking the area size of the property multiply by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

Revenue from the sale of prepaid electricity and water is recognised at the point of sale less unused electricity and water at the end of the financial period.

#### 1.29.2 Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

#### 1.29.3 Interest received - investment

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments.

#### 1.29.4 Interest received - outstanding receivables

Interest earned on outstanding receivables are recognised on a time proportionate basis and receivables are charged an interest rate of 10%.

#### 1.29.5 Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 1.29.6 Other income

Other income is miscellaneous revenue generated by the municipality and is recognised on an accrual basis.

### 1.30 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Rand West City Local Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### 1.30.1 Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

#### 1.30.2 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the conditions have not yet been met, the receipt will be recognised as a liability (Unspent conditional grants and receipts).

#### 1.30.3 Public donations and contributions

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### 1.30 Revenue from non-exchange transactions (continued)

Public donations and contributions are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Public donations and contributions are measured at fair value.

#### 1.30.4 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts.

Subsequently, Rand West City Local Municipality evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines. Rand West City Local Municipality does not recognise services in-kind as assets or revenue.

### 1.31 Expenditure

Expenditure in the statement of financial performance is operational costs incurred in the normal operations of the municipality. Expenditure is accounted for on an accrual basis that is when the expense is incurred and not when it is paid. The following expenditure classes are applicable to Rand West City Local Municipality:

#### 1.31.1 Employee related costs

Employee related costs is the expense incurred by the municipality to Rand West City employees. It is accounted for the period in which the employees would have worked that is the costs includes any accrued items such as leave and bonuses which will be paid after the financial year.

#### 1.31.2 Remuneration of councillors

Remuneration of councillors is an expense incurred by the municipality to political office bearers and councillors and are set by the upper limits as determined by the framework envisaged in section 219 of the Constitution.

#### 1.31.3 Depreciation and amortisation

Depreciation and amortisation is the portion of the cost of property plant and equipment and intangible assets which are spread over the useful life of the asset.

#### 1.31.4 Impairment loss of assets

Impairment loss of assets is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential. The expense is recognised in the year it occurs and reversed when the conditions of impairment assessment change.

#### 1.31.5 Finance costs

Finance costs is the interest charged on money owed by the municipality or the time value of money lost and is accounted for in the period in which it occurs.

#### 1.31.6 Debt impairment

Debt impairment is the loss in the future economic benefits or service potential of a receivable. At the end of each financial year money owed to the municipality is assessed for recoverability and the portion assessed to be irrecoverable will be expensed in the statement of financial performance.

#### 1.31.7 Assets derecognised

Assets derecognised are items of assets that are written off the municipality's asset register as they will no longer meet the definition of an asset. The derecognition is accounted for in the financial year's statement of financial performance when the assessment occurs.

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### 1.31 Expenditure (continued)

#### 1.31.8 Bulk purchases

Bulk purchases is the cost of electricity and water the municipality is billed by Eskom and Rand Water respectively in a financial period.

#### 1.31.9 Contracted services

Contracted services are the services the municipality has outsourced and the cost represents the charges in the financial period.

#### 1.31.10 Transfers and subsidies

Transfers and subsidies is the cost of contribution made by Rand West City to SPCA. The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not: receive any goods or services directly in return, as would be expected in a purchase or sale transaction; expect to be repaid in future; or expect a financial return, as would be expected from an investment. These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

#### 1.31.11 General expenses

General expenses are the administrative and operational costs incurred by the municipality. These include repairs and maintenance which are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

### 1.32 Actuarial gains and losses

Actuarial gains and losses comprise the difference between the pension payments actually made by an employer and the expected amount. A gain occurs if the amount paid is less than expected. A loss occurs if the amount paid is higher than expected. The amount is recognised as non operating revenue or (expenditure) in the statements of financial performance.

### 1.33 Fair value adjustments

Fair value adjustments is the difference of the amount for which an investment property or biological asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction and the opening carrying amount of the investment property or biological asset. The increase or decreased is accounted for in the non operating section of the statement of financial performance.

### 1.34 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.35 Contingent liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality; or

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### 1.35 Contingent liabilities (continued)

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Rand West City Local Municipality does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Rand West City Local Municipality evaluates the possibility of the outflow of resources or service potential.

### 1.36 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rand West City Local Municipality.

Rand West City Local Municipality does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Rand West City Local Municipality continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

### 1.37 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

### 1.38 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.39 Financial instruments

Financial instruments are recognised when Rand West City Local Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

#### 1.39.1 Financial assets

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### 1.39 Financial instruments (continued)

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Rand West City Local Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

#### 1.39.2 Financial assets at fair value

Financial assets that are held for trading or non-derivable financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

#### 1.39.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Rand West City Local Municipality has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

#### 1.39.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

#### 1.39.5 Financial liabilities

After initial recognition, Rand West City Local Municipality measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

#### 1.39.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.40 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.41 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

# Rand West City Local Municipality

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## Accounting Policies

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### 1.41 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Rand West City Local Municipality's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

### 1.42 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.43 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the financial period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Not yet set	Impact likely not material
• Guideline: Guideline on Accounting for Landfill Sites	Not yet set	Impact likely not material
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Impact likely not material
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Impact likely not material
• GRAP 34: Separate Financial Statements	01 April 2020	Impact likely not material
• GRAP 35: Consolidated Financial Statements	01 April 2020	Impact likely not material
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Impact likely not material
• GRAP 37: Joint Arrangements	01 April 2020	Impact likely not material
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Impact likely not material
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Impact likely not material
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact likely not material
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Impact likely not material
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Impact likely not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Impact likely not material
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Impact likely not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Impact likely not material
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Impact likely not material
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Impact likely not material
• GRAP 20: Related parties	01 April 2019	Impact likely not material
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Impact likely not material
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Impact likely not material
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Impact likely not material
• GRAP 107: Mergers	01 April 2019	Impact likely not material
• GRAP 108: Statutory Receivables	01 April 2019	Impact likely not material
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Impact likely not material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Impact likely not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Impact likely not material
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Impact likely not material
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Impact likely not material
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Impact likely not material

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	21 714 037	22 955 922
Short-term deposits	8 302 623	20 095 121
	<b>30 016 660</b>	<b>43 051 043</b>

Cash and cash equivalents held by the municipality that is not available for use	7 965 471	-
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The municipality was served with a court order on 31 July 2018 on the matter with Quill and associates due to outstanding interest on the matter of infringement of computer software (BIQ). See note 22 for provision made.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB - Primary account - 62738742982	5 705 602	7 817 915	-	6 073 176	7 963 790	-
FNB - Consumers account - 62738744045	13 314 264	7 387 286	-	13 979 500	8 987 086	-
FNB - Licensing account - 62738744607	1 354 099	5 017 616	-	1 354 099	4 972 067	-
FNB - Fines account - 62738745811	304 363	141 639	-	304 363	146 639	-
FNB - Prepaid account - 62756388510	2 898	901	-	2 898	-	-
FNB - Call account - 62738951377	1 278 439	19 536 554	-	1 278 439	19 536 554	-
Investec - Call account	6 443 478	364	115 106 108	6 443 478	364	115 106 108
FNB - Investment account - 71038605740	33 755	31 444	29 209	33 755	31 444	29 209
FNB - Investment account - 71038284304	72 323	72 323	63 542	72 323	72 323	63 542
FNB - Investment account - 71038284297	148 859	138 861	128 993	148 859	138 861	128 993
NEDCOR - Investment account - 11812875	63 048	60 355	57 805	63 048	60 355	57 805
NEDBANK - Investment account - 11987622	110 990	110 990	110 990	110 990	110 990	110 990
NEDBANK - Investment account - 19770842	74 932	68 499	62 941	74 932	68 499	62 941
STANDARD Bank - Investment account - 28633016	70 399	67 284	64 012	70 399	67 284	64 012
STANDARD Bank - Investment account - 328634174	6 401	6 271	6 129	6 401	6 271	6 129
ABSA - Current account	-	671 456	5 829 738	-	671 967	5 842 511
ABSA - Prepaid account	-	-	915 948	-	-	915 948
ABSA - Traffic account	-	22 390	3 712 322	-	22 390	4 004 419
ABSA - Traffic fines account	-	800	462 893	-	800	475 042
ABSA - Consumers account	-	191 183	1 426 201	-	191 183	1 073 141
ABSA - Call account	-	-	2 176	-	2 176	2 176
<b>Total</b>	<b>28 983 850</b>	<b>41 344 131</b>	<b>127 979 007</b>	<b>30 016 660</b>	<b>43 051 043</b>	<b>127 942 966</b>

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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<b>4. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	137 084 605	110 190 212
Water	127 904 446	94 495 708
Sewerage	47 526 141	32 339 335
Refuse	48 846 618	36 285 265
VAT	45 494 835	33 504 729
Other (Rental, interest, reconnection fees)	181 310 333	153 208 345
	<b>588 166 978</b>	<b>460 023 594</b>
<b>Less: Allowance for impairment</b>		
Electricity	(62 207 411)	(53 002 375)
Water	(87 579 290)	(56 107 833)
Sewerage	(39 124 298)	(29 188 368)
Refuse	(43 384 167)	(32 588 183)
VAT	(35 082 379)	(26 229 642)
Other (Rental, interest, reconnection fees)	(137 592 849)	(114 034 660)
	<b>(404 970 394)</b>	<b>(311 151 061)</b>
<b>Net balance</b>		
Electricity	74 877 194	57 187 837
Water	40 325 156	38 387 875
Sewerage	8 401 843	3 150 967
Refuse	5 462 451	3 697 082
VAT	10 412 456	7 275 087
Other (Rental, interest, reconnection fees)	43 717 484	39 173 685
	<b>183 196 584</b>	<b>148 872 533</b>
<b>Receivables from exchange transactions ageing by service type</b>		
<b>Electricity</b>		
Current (0 -30 days)	80 481 642	55 916 095
31 - 60 days	4 755 360	6 414 214
61 - 90 days	2 954 930	5 082 333
91 - 120 days	2 909 342	4 285 950
121 - 365 days	14 040 793	12 882 839
> 365 days	31 942 538	25 608 781
	(62 207 411)	(53 002 375)
	<b>74 877 194</b>	<b>57 187 837</b>
<b>Water</b>		
Current (0 -30 days)	41 954 781	36 913 716
31 - 60 days	10 497 046	9 012 746
61 - 90 days	4 324 017	4 648 057
91 - 120 days	4 511 801	3 530 108
121 - 365 days	22 229 872	16 379 152
> 365 days	44 386 929	24 011 930
	(87 579 290)	(56 107 834)
	<b>40 325 156</b>	<b>38 387 875</b>

# Rand West City Local Municipality

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### 4. Receivables from exchange transactions (continued)

#### Sewerage

Current (0 -30 days)	8 238 557	2 316 420
31 - 60 days	1 730 049	1 692 524
61 - 90 days	1 500 452	1 368 877
91 - 120 days	1 386 391	1 270 711
121 - 365 days	8 477 777	9 059 635
> 365 days	26 192 915	16 631 168
	(39 124 298)	(29 188 368)
	<b>8 401 843</b>	<b>3 150 967</b>

#### Refuse

Current (0 -30 days)	5 038 422	2 654 284
31 - 60 days	1 963 935	1 928 819
61 - 90 days	1 675 257	1 571 923
91 - 120 days	1 589 114	1 424 279
121 - 365 days	9 822 443	9 011 939
> 365 days	28 757 446	19 694 022
	(43 384 166)	(32 588 184)
	<b>5 462 451</b>	<b>3 697 082</b>

#### VAT

Current (0 -30 days)	11 107 422	8 180 756
31 - 60 days	2 046 274	2 414 364
61 - 90 days	1 383 481	1 732 135
91 - 120 days	1 484 787	1 221 237
121 - 365 days	7 598 185	6 609 582
> 365 days	19 921 818	13 346 655
	(33 129 511)	(26 229 642)
	<b>10 412 456</b>	<b>7 275 087</b>

#### Other (Rental, interest, reconnection fees)

Current (0 -30 days)	10 506 206	5 904 086
31 - 60 days	3 965 891	3 174 079
61 - 90 days	3 370 712	3 347 335
91 - 120 days	4 415 412	3 339 317
121 - 365 days	22 547 613	20 141 458
> 365 days	138 457 367	117 302 069
	(139 545 717)	(114 034 659)
	<b>43 717 484</b>	<b>39 173 685</b>

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Summary of Receivables from exchange transactions by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	39 286 441	34 241 231
31 - 60 days	11 948 531	15 331 580
61 - 90 days	9 632 470	10 598 339
91 - 120 days	10 184 980	9 866 124
121 - 365 days	59 216 598	57 287 158
> 365 days	245 437 879	192 027 743
	<b>375 706 899</b>	<b>319 352 175</b>
Less: Allowance for impairment	<b>(302 070 452)</b>	<b>(255 274 253)</b>
	<b>73 636 447</b>	<b>64 077 922</b>
<b>Industrial / commercial</b>		
Current (0 -30 days)	113 444 914	67 682 959
31 - 60 days	11 901 358	8 802 678
61 - 90 days	4 760 096	6 818 691
91 - 120 days	5 040 551	4 774 660
121 - 365 days	22 543 935	15 175 838
> 365 days	41 030 573	21 908 303
	<b>198 721 427</b>	<b>125 163 129</b>
Less: Allowance for impairment	<b>(98 775 077)</b>	<b>(53 706 240)</b>
	<b>99 946 350</b>	<b>71 456 889</b>
<b>National and provincial government</b>		
Current (0 -30 days)	4 595 674	1 798 922
31 - 60 days	1 108 665	502 487
61 - 90 days	816 283	333 630
91 - 120 days	1 071 315	430 818
121 - 365 days	2 956 150	1 621 608
> 365 days	3 190 563	2 658 576
	<b>13 738 650</b>	<b>7 346 041</b>
Less: Allowance for impairment	<b>(4 124 866)</b>	<b>(2 170 569)</b>
	<b>9 613 784</b>	<b>5 175 472</b>
<b>Total</b>		
Current (0 -30 days)	157 327 029	111 885 358
31 - 60 days	24 958 554	24 636 745
61 - 90 days	15 208 849	17 750 660
91 - 120 days	16 296 847	15 071 602
121 - 365 days	84 716 682	74 084 605
> 365 days	289 659 017	216 594 625
	<b>588 166 978</b>	<b>460 023 595</b>
Less: Allowance for impairment	<b>(404 970 394)</b>	<b>(311 151 062)</b>
	<b>183 196 584</b>	<b>148 872 533</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(311 151 061)	(235 550 831)
Contributions to allowance	(109 137 422)	(116 079 350)
Debt impairment written off against allowance	15 318 089	40 479 120
	<b>(404 970 394)</b>	<b>(311 151 061)</b>

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Financial Statements for the year ended 30 June 2019

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### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for liabilities.

#### Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

#### Receivables from exchange transactions impaired

As of 30 June 2019, receivables from exchange transactions of R 588 166 978 (2018: R 460 023 594) were assessed for impairment and provided for.

The amount of the allowance for impairment was R 404 970 394 as of 30 June 2019 (2018: R 311 151 061).

Rand West City Local Municipality has not discounted receivables from exchange transactions.

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Financial Statements for the year ended 30 June 2019

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### 5. Receivables from non-exchange transactions

Property rates	27 245 775	21 615 945
Fines	2 278 899	1 598 577
Sundry debtors	5 296 510	1 316 845
Gauteng Department of Human Settlements	-	16 390 086
Department of Health	-	-
	<b>34 821 184</b>	<b>40 921 453</b>

#### Property rates

The ageing of receivables in respect of property rates is as follows:

Current (0 - 30 days)	10 617 764	10 516 457
31 - 60 days	3 233 403	3 574 244
61 - 90 days	2 841 662	2 690 458
91 - 120 days	2 408 875	2 485 024
121 - 365 days	13 823 068	22 160 262
> 365 days	67 825 356	56 879 913
Less: Allowance for impairment	(73 504 353)	(76 690 413)
	<b>27 245 775</b>	<b>21 615 945</b>

#### Summary of receivables from property rates by customer classification

##### Consumers:

Current (0 - 30 days)	6 223 174	5 949 239
31 - 60 days	2 164 948	1 946 726
61 - 90 days	1 959 175	1 397 487
91 - 120 days	1 570 364	1 361 029
121 - 365 days	7 950 009	7 895 739
> 365 days	43 577 186	56 879 911
Less: Allowance for impairment	(52 276 335)	(48 507 836)
	<b>11 168 521</b>	<b>26 922 295</b>

##### Industrial / commercial

Current (0 - 30 days)	4 764 854	4 273 033
31 - 60 days	1 446 971	1 446 844
61 - 90 days	1 256 498	1 119 974
91 - 120 days	1 223 726	960 121
121 - 365 days	7 359 975	13 070 049
> 365 days	14 470 543	10 452 664
Less: Allowance for impairment	(26 073 458)	(27 323 884)
	<b>4 449 109</b>	<b>3 998 801</b>

##### National and provincial government

Current (0 - 30 days)	144 634	294 185
31 - 60 days	137 826	180 674
61 - 90 days	137 700	172 997
91 - 120 days	133 597	163 875
121 - 365 days	2 124 058	1 194 474
> 365 days	9 777 626	7 010 871
Less: Allowance for impairment	(827 297)	(858 692)
	<b>11 628 144</b>	<b>8 158 384</b>

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(76 690 413)	(65 261 781)
Contributions to allowance	3 186 060	(11 428 632)
	<b>(73 504 353)</b>	<b>(76 690 413)</b>
<b>Traffic fines</b>		
<b>Reconciliation of gross balances to net balances</b>		
Receivables from traffic fines	47 866 348	52 878 867
Less: Allowance for impairment	(45 587 449)	(51 280 290)
	<b>2 278 899</b>	<b>1 598 577</b>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(51 280 290)	(50 204 806)
Contributions to allowance	5 692 841	(1 075 484)
	<b>(45 587 449)</b>	<b>(51 280 290)</b>
<b>Sundry debtors</b>		
<b>Reconciliation of gross balances to net balances</b>		
Receivables from sundry debtors	27 052 514	21 283 028
Less: Allowance for impairment	(21 756 002)	(19 966 183)
	<b>5 296 512</b>	<b>1 316 845</b>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(19 966 183)	(19 590 621)
Contributions to allowance	(1 789 819)	(375 562)
	<b>(21 756 002)</b>	<b>(19 966 183)</b>
<b>Department of health</b>		
<b>Reconciliation of gross balances to net balances</b>		
Department of health	3 055 314	3 055 314
Less: Allowance for impairment	(3 055 314)	(3 055 314)
	<b>-</b>	<b>-</b>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(3 055 314)	(277 756)
Contributions to allowance	-	(2 777 558)
	<b>(3 055 314)</b>	<b>(3 055 314)</b>

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 5. Receivables from non-exchange transactions (continued)

#### Summary of allowance for impairment in Statement of Financial Performance

Property rates	3 186 060	(11 428 632)
Traffic fines	5 692 841	(1 075 484)
Sundry debtors	(1 789 819)	(375 562)
Department of health	-	(2 777 558)
	<b>7 089 082</b>	<b>(15 657 236)</b>

#### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for liabilities.

#### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

#### Receivables from non-exchange transactions past due but not impaired

At 30 June 2019 no receivables from non-exchange transactions were past due but not impaired.

#### Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R 34 821 184 (2018: R 40 921 453) were assessed for impaired and provided for.

The amount of the provision was R 73 504 353 for property rates, R 45 587 449 for traffic fines, R 21 756 002 for sundry debtors and R 3 055 314 for the Department of health as of 30 June 2019.

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 6. Prepayments

Insurance paid in advance	906 708	967 085
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The annual insurance covers the period from 01 November 2018 to 31 October 2019 and an annual payment was made in advance on 11 August 2018 hence the prepayment relates to the cover already paid as at 30 June 2019 for the period 01 July 2019 to 31 October 2019.

### 7. Inventories

Consumable stores	1 862 264	2 261 017
Milk	1 008	1 162
Water	888 176	647 004
	<b>2 751 448</b>	<b>2 909 183</b>

#### Inventory pledged as security

No inventory was pledged as security for facilities.

### 8. Long term receivables

Consumer receivables with long term arrangements	1 117 166	2 356 996
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#### Reconciliation of gross balances to net balances

Long term receivables	4 468 662	9 427 983
Allowance for impairment	(3 351 496)	(7 070 987)
	<b>1 117 166</b>	<b>2 356 996</b>

#### Reconciliation of allowance for impairment

Opening balance	(7 070 987)	(8 091 782)
Decrease in allowance for impairment	3 719 491	1 020 795
	<b>(3 351 496)</b>	<b>(7 070 987)</b>

Non current portion	447 928	1 049 201
Current portion	669 238	1 307 795
	<b>1 117 166</b>	<b>2 356 996</b>

#### Long term receivables

Longterm receivables are consumers who enter into an arrangement to pay off their debts over an agreed period of time as per the approved credit control policy. All long term receivables that are past due were considered to be impaired. At 30 June 2019 all long term receivables that were past due were impaired.

#### Long term receivables pledged as security

No long term receivables were pledged as security for liabilities.

#### Long term receivables impaired

At 30 June 2019, long term receivables of R 4 468 662 (2018: R 9 427 983) were assessed for impaired and provided for.

The amount of the decrease in provision was R 3 351 496 as of 30 June 2019 (2018: R 7 070 987).

# Rand West City Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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<b>9. Investments</b>		
<b>At amortised cost</b>		
Bond investment	4 176 040	12 957 188
The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998. The bond matured during the current financial year and the municipality only partially withdrew it.		
<b>Current assets</b>		
At amortised cost	4 176 040	12 957 188
<b>Investments pledged as collateral</b>		
<b>Collateral</b>		
Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	-	1 428 712
The above investment is not pledged as security on any borrowings. In the prior year it was pledged as security for borrowings with a carrying amount of R 1 428 712. Refer to note 21.		

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### 10. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Dairy cattle	528 054	-	528 054	614 857	-	614 857

### Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Dairy cattle	614 857	(86 803)	528 054

### Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Dairy cattle	629 337	(14 480)	614 857

### Details of biological assets

Cows in production	33	38
Cows not in production	13	25
Heifers	25	29
Calves	19	15
Bulls	-	1
	<b>90</b>	<b>108</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Pledged as security

No biological assets were pledged as security for liabilities.

### Details of valuation

The effective date of the valuations was 30 June 2019. Valuations were performed by an independent valuer, Mr Hendrix Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market values.

During the year no repairs and maintenance expenditure was incurred on biological assets and there were no commitments for the purchase of biological assets at year end.

# Rand West City Local Municipality

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### 11. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	246 132 189	-	246 132 189	237 550 083	-	237 550 083

#### Reconciliation of investment property - 2019

	Opening balance	Reclassified	Fair value adjustments	Total
Investment property	237 550 083	29 250	8 552 856	246 132 189

#### Reconciliation of investment property - 2018

	Opening balance	Donations received	Reclassified	Fair value adjustments	Total
Investment property	218 816 045	11 817 000	(1 765 006)	8 682 044	237 550 083

The reclassification amounting to R 29 250 was reclassified from community assets because of change in use of the land, and in the prior year, investment property amounting to R 1 765 006 was reclassified to land under property, plant and equipment.

#### Pledged as security

Carrying value of assets pledged as security:

#### Details of property

#### Pledged as security

No investment property was pledged as security for liabilities.

#### Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The effective date of the revaluations was 30 June 2019. Valuations were performed by an independent valuer, Mr Zack van der Merwe (registered with South Africa Council for the Property Valuer Profession (SACPVP) as a professional valuer and also a member of the South African Institute of Valuers). Mr Zack van der Merwe is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

During the year no repairs and maintenance expenditure was incurred on investment properties and there were no commitments for the purchase of investment property at year end.

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#### 12. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	909 554 354	(30 510 608)	879 043 746	910 049 009	(19 734 967)	890 314 042
Buildings	406 930 613	(350 730 676)	56 199 937	422 732 926	(327 703 202)	95 029 724
Infrastructure	5 893 715 164	(3 172 408 942)	2 721 306 222	5 576 209 323	(3 049 681 625)	2 526 527 698
Community	620 333 276	(344 485 016)	275 848 260	610 659 036	(363 367 217)	247 291 819
Leased assets	30 229 298	(1 362 209)	28 867 089	23 915 178	(23 185 314)	729 864
Library books	14 620 601	(10 870 826)	3 749 775	25 848 242	(16 496 269)	9 351 973
Other property, plant and equipment	129 429 441	(83 858 236)	45 571 205	120 873 081	(78 355 915)	42 517 166
<b>Total</b>	<b>8 004 812 747</b>	<b>(3 994 226 513)</b>	<b>4 010 586 234</b>	<b>7 690 286 795</b>	<b>(3 878 524 509)</b>	<b>3 811 762 286</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Donations received	Reclassified	Landfill site valuations	Assets derecognised	Depreciation	Impairment loss/reversal	Total
Land	890 314 042	1 000 000	-	(29 250)	-	(1 465 405)	-	(10 775 641)	879 043 746
Buildings	95 029 724	1 428 178	-	-	-	(2 532 632)	(10 098 913)	(27 626 420)	56 199 937
Infrastructure	2 526 527 698	323 292 272	9 839 016	-	(1 039 240)	(5 977 883)	(130 916 926)	(418 715)	2 721 306 222
Community	247 291 819	13 373 784	21 279 556	-	-	(15 378 927)	(17 462 187)	26 744 215	275 848 260
Leased assets	729 864	30 229 298	-	-	-	-	(2 092 073)	-	28 867 089
Library books	9 351 973	869 565	-	-	-	(4 167 403)	(2 304 360)	-	3 749 775
Other property, plant and equipment	42 517 166	1 475 947	9 303 565	-	-	(820 904)	(6 904 569)	-	45 571 205
<b>Total</b>	<b>3 811 762 286</b>	<b>371 669 044</b>	<b>40 422 137</b>	<b>(29 250)</b>	<b>(1 039 240)</b>	<b>(30 343 154)</b>	<b>(169 779 028)</b>	<b>(12 076 561)</b>	<b>4 010 586 234</b>

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### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Donations received	Reclassified	Landfill site valuations	Assets derecognised	Depreciation	Impairment loss/reversal	Total
Land	859 645 185	3 000 000	25 196 535	1 755 207	-	(3 567 838)	-	4 284 953	890 314 042
Buildings	96 053 419	10 121 681	-	-	-	(65 394)	(10 662 638)	(417 344)	95 029 724
Infrastructure	2 470 069 929	198 619 153	-	-	6 589 498	(21 572 152)	(133 242 295)	6 063 565	2 526 527 698
Community	273 725 848	17 185 233	-	-	-	(58 691)	(19 825 599)	(23 734 972)	247 291 819
Leased assets	8 695 776	-	-	-	-	-	(7 965 912)	-	729 864
Library books	10 501 641	1 139 871	-	-	-	-	(2 289 539)	-	9 351 973
Other property, plant and equipment	58 510 326	1 663 861	677 907	-	-	(6 531 945)	(11 802 983)	-	42 517 166
	<b>3 777 202 124</b>	<b>231 729 799</b>	<b>25 874 442</b>	<b>1 755 207</b>	<b>6 589 498</b>	<b>(31 796 020)</b>	<b>(185 788 966)</b>	<b>(13 803 798)</b>	<b>3 811 762 286</b>

#### Pledged as security

Carrying value of assets pledged as security:

#### Assets subject to finance lease (Net carrying amount)

Leased assets - Motor vehicles and compactors

28 867 089      729 864

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Reconciliation of cash outflow from purchase of property, plant and equipment

Additions for the year	371 669 044	231 729 799
Less additions through finance lease (No cash outflow)	(30 229 298)	-
	<b>341 439 746</b>	<b>231 729 799</b>

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### 12. Property, plant and equipment (continued)

#### Property, plant and equipment in the process of being constructed or developed

#### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Droogheuwel and Middelvlei bulk water supply	148 338 618	121 120 418
The above project took longer to complete due to the fact the previous appointed contractor could not performed and thus the contract was cancelled, the new contractor was appointed, the project is a multi year and still on going. The project is also not adequately funded from the allocations received from the Gauteng Department of Human Settlements.		
Construction of Badirile sport facility	8 719 931	8 719 931
The above project was started on 30 June 2017 and completed the project on 19 July 2018 instead of 31 December 2017. The delays were due to the extension of time which was granted, with revised completion date of 30 March 2018 due to additional work. However other factors like electrical connections from Eskom affected the project further and practical completion was reached on 19 June 2018. During the 2018/19 the projects was further by unrests by the community.		
Water and sanitation services in Mohlakeng extension 5	3 152 180	-
The above project was put on hold due to lack of funds.		
Construction of Brandeg road	1 190 436	-
The above project was not yet implemented as at 30 June 2019 due to lack of funds and only designs were done which amounted to the carrying amount reflected.		
	<b>161 401 165</b>	<b>129 840 349</b>

#### Reconciliation of Work-in-Progress 2019

	Included within Buildings	Included within Community	Included within Infrastructure	Total
Opening balance	11 157 305	32 694 110	254 869 905	298 721 320
Additions	1 268 493	13 863 429	279 022 675	294 154 597
Capitalised	(9 747 497)	(16 147 686)	(246 106 091)	(272 001 274)
	<b>2 678 301</b>	<b>30 409 853</b>	<b>287 786 489</b>	<b>320 874 643</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Buildings	Included within Community	Included within Infrastructure	Total
Opening balance	394 060	36 633 615	173 181 773	210 209 448
Additions	10 763 245	26 745 721	174 563 023	212 071 989
Capitalised	-	(30 684 726)	(92 874 891)	(123 559 617)
	<b>11 157 305</b>	<b>32 694 610</b>	<b>254 869 905</b>	<b>298 721 820</b>

#### Expenditure incurred to repair and maintain various classes of property, plant was as follows:

Buildings	578 318	436 483
Community assets	9 969 312	2 045 841
Infrastructure assets	29 666 479	61 518 386
Other property, plant and equipment	292 431	541 551
	<b>40 506 540</b>	<b>64 542 261</b>

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### 12. Property, plant and equipment (continued)

#### Impairment loss / (reversal) of property plant and equipment

**Property, plant and equipment** impaired for the year ended 30 June 2019 amounted to R 33 556 390 (2018: R 13 803 798). The reasons per class of assets are detailed below:

**Land:** There was no impairment in the current year. In the prior year, Property, Plant and Equipment was incorrectly classified as land invasion under the investment properties has being correctly classified in the 2017/18 financial year as a result the impairment on that land was reversed.

**Buildings:** In the current year, Mohlakeng new flats hostel, Bekkersdal hostel and Mohlakeng Delmas hostel were impaired due to a very bad condition of the buildings as most of the assets components were not performing at optimal required outcome, Bekkersdal business hives were impaired as facility was not in use based on non utilisation and non-performance, Badirile MPCC air conditioning, electrical installation, finishes fixtures and fittings, roofs and fabricated steel badly damaged as a result does not perform at its maximum potential and the Randfontein municipal offices building structure namely roofs, store room floor and lifts not being utilised due to water underground.

In the prior year, Mohlakeng Arenda hostel was damaged, Randfontein municipal mechanical workshop's small enclosed building and Westonaria depots and stores' water department was non functional due to lack of internet.

**Infrastructure assets:** In the current year, the Bekkersdal solid waste transfer station was badly vandalised as a result was not performing at its maximum potential.

In the prior year, substation Doveton St was non functional because the closure of industrial area which the substation was supplying and Hannes van Niekerk's waste water treatment works module 1 and old pump house at waste water treatment work in Randfontein were not working at year end. There was also an impairment reversal for the MV substation in Mohlakeng extension 11 which was non functional in 2016/17 was repaired and working as at 30 June 2018.

**Community assets:** In the current year, Sampson street park, Bambo Nobela park, Constantia park, Randfontein, Van der Stel park, Dlomo park, Xuma Street park and Sampson Street park play ground equipment was badly damaged as a result they are not in use, Bekkersdal cemetery, Simunye cemetery, Badirile cemetery, Randfontein south cemetery (Zenzele), Rikassrus cemetery, Greenhills cemetery and Mohlakeng cemetery perimeter protection and external lighting are badly damaged as a results are not in use, Bird Sanctuary perimeter protection, roof, landscaping, water irrigation and water motor are badly vandalised as a result does not perform to it maximum potential, Westonaria wrestling club's entire facility vandalised and not in use, Mohlakeng stadium ablution's finishes fixtures and fittings and plumbing vandalised and were not in use, Bekkersdal five aside as the entire facility was vandalised and not in use and Bekkersdal, Simunye and Toekomsrus community libraries' building structure's walls (roof, plumbing, electrical installation, finishes fixtures and fittings and air conditioning) badly damaged as a result does not perform at its maximum potential

In the prior year, Mohlakeng MPCC in Randfontein was damaged in service delivery protest, Riebeek park and Bekkersdal business hive was non functional.

#### Commitments on Property, plant and equipment

See note 48 for commitments on each class of Property, plant and equipment as at 30 June 2019 and 2018.

# Rand West City Local Municipality

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### 13. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	6 146 046	-	6 146 046	6 146 046	-	6 146 046
Computer software	8 312 389	(7 119 517)	1 192 872	8 312 390	(5 843 566)	2 468 824
<b>Total</b>	<b>14 458 435</b>	<b>(7 119 517)</b>	<b>7 338 918</b>	<b>14 458 436</b>	<b>(5 843 566)</b>	<b>8 614 870</b>

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Servitudes	6 146 046	-	6 146 046
Computer software	2 468 824	(1 275 952)	1 192 872
	<b>8 614 870</b>	<b>(1 275 952)</b>	<b>7 338 918</b>

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Reclassified	Amortisation	Total
Servitudes	6 136 246	-	9 800	-	6 146 046
Computer software	2 215 182	1 859 071	-	(1 605 429)	2 468 824
	<b>8 351 428</b>	<b>1 859 071</b>	<b>9 800</b>	<b>(1 605 429)</b>	<b>8 614 870</b>

#### Pledged as security

No intangible assets were pledged as security for liabilities.

#### Details of intangible assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the prior year, land with a carrying value of R 9 800 was reclassified to intangible assets (Servitudes).

During the year no repairs and maintenance expenditure was incurred on intangible assets and there were no commitments for the purchase of intangible assets at year end.

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### 14. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and other artifacts	4 266 090	-	4 266 090	4 284 231	-	4 284 231

#### Reconciliation of heritage assets - 2019

	Opening balance	Heritage assets derecognised	Total
Paintings and other artifacts	4 284 231	(18 141)	4 266 090

#### Reconciliation of heritage assets - 2018

	Opening balance	Total
Paintings and other artifacts	4 284 231	4 284 231

#### Pledged as security

No heritage assets were pledged as security for liabilities.

#### Revaluations

##### Paintings and other artifacts

The effective date of the revaluation was 6/30/2015. Revaluations were performed by independent valuer, Mr A. Inggs. The next valuation will be performed on 30 June 2020.

Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets. The valuation was based on open market value.

The revaluation will be performed every five years.

#### Details of Heritage assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year no repairs and maintenance expenditure was incurred on heritage assets and there were no commitments for the purchase of heritage assets at year end.

# Rand West City Local Municipality

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### 15. Payables from exchange transactions

Trade payables	755 304 014	505 509 406
Retention monies payable	36 579 901	29 440 440
Payroll accruals	26 276 341	21 877 835
Accrued leave	46 707 582	39 848 174
Accrued bonus (13th cheque)	9 841 129	9 316 760
Payments received in advance	7 132 231	6 492 285
Consumer debtors with credit balances	58 788 785	51 293 391
	<b>940 629 983</b>	<b>663 778 291</b>

Included in the consumer debtors with credit balances is the mines the Municipality currently owes due to the reversal of the property rates billed to them.

### 16. Payables from non-exchange transactions

Unallocated receipts	8 272 377	7 303 724
Sundry debtors with credit balances	11 691 558	8 216 003
Security deposit for debt collection	432 008	15 038 462
Security deposit for prepaid electricity	-	3 873 863
	<b>20 395 943</b>	<b>34 432 052</b>

Unallocated receipts relates to unknown direct deposits made into the Municipality's bank account.

In 2017/18 financial year, the municipality received R 17 250 000 (VAT inclusive) from the debt collection agency for sale of the right to collect on debtors and the revenue is recognised over a period the municipality is invoiced up to a maximum of R 39 000 000 (VAT exclusive). The outstanding deposit for debt collection above is the portion of R 39 000 000 that has not yet been invoiced.

The security deposit for prepaid electricity of R 3 873 863 in the prior year was a net amount of a R 90 000 000 deposit paid by the municipality's prepaid vendor who is selling prepaid electricity and deposits the proceeds into the municipality's account and an amount of R 86 126 137 was deducted as the proceeds were not deposited. In the current year, the amount of was netted of the amount they were owing the municipality in respect of proceeds from sale of prepaid electricity that were not deposited.

### 17. VAT payable

VAT	58 739 411	78 690 789
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### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Gauteng Department of Social Development Grant	8 462 946	8 462 946
Public Contribution	3 990 216	3 990 216
Aids District Programme	122 744	123 746
Expanded Public Works Programme	180 109	-
Energy Efficiency and Demand Side Management Grant	1 577	-
	<b>12 757 592</b>	<b>12 576 908</b>

See note 31 for reconciliation of grants from National/Provincial Government.

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### 19. Consumer deposits

Electricity and water	55 609 863	61 016 139
Municipal halls and sports complex	31 951	31 951
Rental of facilities	1 025 240	-
	<b>56 667 054</b>	<b>61 048 090</b>

### 20. Finance lease obligation

#### Minimum lease payments due

- within one year	11 919 014	918 529
- in second to fifth year inclusive	22 424 116	-

34 343 130	918 529
(5 128 003)	(9 343)

less: future finance charges

#### Present value of minimum lease payments

<b>29 215 127</b>	<b>909 186</b>
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#### Present value of minimum lease payments due

- within one year	9 091 623	909 186
- in second to fifth year inclusive	20 123 504	-

<b>29 215 127</b>	<b>909 186</b>
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Non-current liabilities

20 123 504 -

Current liabilities

9 091 623 909 186

<b>29 215 127</b>	<b>909 186</b>
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It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The municipality acquired a new finance lease in 2018/19 financial on a three year lease term and the effective borrowing rate was 11.25% as provided by the service provider on 26 April 2019 which is the effective date on which the finance lease commenced. The finance lease was for compactor trucks.

Interest rates are fixed at the contract date. All leases do not escalate and include additional charges for contingent rent which are administration fees, insurance and maintenance costs.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

### 21. Borrowings

#### At amortised cost

Development Bank of Southern Africa (DBSA) loan - 1 428 712

Interest rate on the loan was fixed at 15.5% per annum compounded semi annually.

The loan period was 20 years. The loan was paid up on 30 September 2018 and was

secured by investments with a carrying amount of R 12 957 188 as at 30 June 2018.

Refer to note 9.

#### Current liabilities

At amortised cost - 1 428 712

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### 22. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill site	151 537 716	-	(1 039 240)	11 035 117	161 533 593
Legal proceedings	7 931 788	1 229 427	-	-	9 161 215
Performance bonuses	4 052 825	-	-	-	4 052 825
Minor claims	9 355	-	-	-	9 355
	<b>163 531 684</b>	<b>1 229 427</b>	<b>(1 039 240)</b>	<b>11 035 117</b>	<b>174 756 988</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill site	134 041 031	6 589 498	-	10 907 187	151 537 716
Legal proceedings	6 799 654	1 132 134	-	-	7 931 788
Performance bonuses	2 642 673	1 410 152	-	-	4 052 825
Minor claims	190 877	-	(181 522)	-	9 355
	<b>143 674 235</b>	<b>9 131 784</b>	<b>(181 522)</b>	<b>10 907 187</b>	<b>163 531 684</b>

Non-current liabilities	161 533 593	151 537 716
Current liabilities	13 223 395	11 993 968
	<b>174 756 988</b>	<b>163 531 684</b>

#### Landfill site provision

The valuation was performed by Seakle Godschalk who is a professional environmental scientist from Environmental and Sustainability Solutions CC who holds a Master's degree in Accounting. Seakle Godschalk is an independent valuer and is registered with the South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists. The valuation was performed on the 25th of July 2019 and the current expected remaining life of the landfill is estimated at 6 years and 3 years for the Libanon and Uitvalfontein landfills respectively.

#### Legal proceedings provision

Legal proceedings provision represents an amount litigated by Quill and Associates against the municipality. This case emanated from interest charged on licensing agreement settlement on BIQ system that was previously used by the municipality. The system use was paid for in December 2016, however there is a court order against the municipality on interest from the date of claim of July 2013 to date, which municipality hasn't paid. When the case was finalised in 2016 the municipality paid interest for 2015 and 2016 only and not from 2013 to 2016. The municipality is appealing the court's decision.

#### Performance bonuses provision

During the current financial year, Executive management took a decision that no provision will be made due to the financial status of the municipality and the assessment that there will be no bonus payments and no budget was provided for in the next three financial years. The previous financial year's provision for performance bonus was calculated using a rate of 14% of the total package. The provision for performance bonus is categorised as a provision based on the fact that the performance bonus will only be paid once an employee has met a performance condition. Therefore it is uncertain whether all the employees who are qualifying for a performance bonus will meet the award criteria. In addition the bonus has to be approved by Council.

#### Minor claims provision

The municipality has recognised minor claims for damages which are below R 20 000 due to the trend of likely paying them out.

# Rand West City Local Municipality

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### 23. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Post retirement medical benefits	(142 945 632)	(133 858 833)
Long service awards	(37 612 795)	(33 673 867)
	<b>(180 558 427)</b>	<b>(167 532 700)</b>

#### Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

#### At the valuation date individuals entitled to a post retirement medical aid subsidy were:

In-service (employee) members:	1 059	1 041
In-service (employee) non members:	229	267
Continuation (retiree and widow) members:	99	85

The current service costs are estimated at R 7 958 671 for the current financial year ending 30 June 2019 (2018: R 7 793 895).

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	133 858 833	129 346 552
Benefits paid	(3 441 724)	(3 218 111)
Net expense recognised in the statement of financial performance	12 529 523	7 730 392
	<b>142 946 632</b>	<b>133 858 833</b>

#### Net expense recognised in the statement of financial performance

Current service cost	7 958 671	7 793 895
Interest cost	12 794 755	12 510 551
Actuarial (gains) losses	(8 223 903)	(12 574 054)
	<b>12 529 523</b>	<b>7 730 392</b>

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### 23. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	6.93 %	7.47 %
Discount rates used	9.48 %	9.68 %
Expected rate of return on assets	2.38 %	2.06 %

The Average retirement age used in years was:	63	63
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#### Long service awards liability

The Municipality offers employees a long service bonus for every completed ten year period of service. The long service awards paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

As at the financial year end, 1 272 (30 June 2019: 1 308) employees were eligible for long service awards. The current service cost for the financial year ended 30 June 2019 is estimated to be R 3 063 444 (2018: R 2 211 267).

The expected remaining working lifetime of eligible employees is 16.5 years (30 June 2018: 17.7 years).

#### Key assumptions used at the reporting date:

Discount rates used	8.11 %	8.51 %
Expected inflation	5.53 %	6.13 %
Net effective discount rate	2.44 %	2.24 %

#### Changes in the present value of the long service award obligation are as follows:

Opening balance	33 673 867	23 829 681
Benefits paid	(3 755 459)	(2 600 609)
Net expense recognised in the statement of financial performance	7 694 387	12 444 795
	<b>37 612 795</b>	<b>33 673 867</b>

#### Net expense of the long service awards obligation recognised in the statement of financial performance:

Current service cost	3 063 444	2 211 267
Past service cost	-	7 603 947
Interest cost	2 709 114	1 898 181
Actuarial losses	1 921 829	731 400
	<b>7 694 387</b>	<b>12 444 795</b>

#### Actuarial gains reconciliation

Post retirement medical benefits	8 223 903	12 574 054
Long service awards	(1 921 829)	(731 400)
	<b>6 302 074</b>	<b>11 842 654</b>

# Rand West City Local Municipality

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### 24. Service charges

Sale of electricity	569 311 840	562 532 618
Sale of water	282 858 030	273 949 847
Sewerage and sanitation charges	56 684 284	37 848 632
Refuse removal	60 426 651	53 920 061
	<b>969 280 805</b>	<b>928 251 158</b>

### 25. Rental of facilities and equipment

#### Premises

Rental of buildings	148 439	272 674
Rental of equipment	1 822 141	207 376
Rental of facilities	145 948	172 395
Rental of land	6 296	3 380
	<b>2 122 824</b>	<b>655 825</b>

### 26. Interest received - investment

#### Interest revenue

Bank	2 649 064	5 047 948
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Interest received from investments was mainly due to grant funds which were invested in FNB and Investec call accounts and earned an average of 6% interest on per annum.

### 27. Interest received - outstanding receivables

Interest received	35 926 216	23 616 118
-------------------	------------	------------

During the current financial year all consumers were charged interest at a rate of 10% on the arrear accounts as per the Rand West City credit control policy.

### 28. Income from agency services

Gauteng Department of Transport	20 520 652	22 008 414
---------------------------------	------------	------------

The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided.

The Rand West City vehicle licensing centre in Westonaria was closed on 24 October 2018 due to investigations to identify officers alleged to be involved in fraudulent and corrupt activities. The closure has resulted in a drop in revenue as customers go to other stations to get services.

# Rand West City Local Municipality

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<b>29. Other income</b>		
Administration fees	2 798 046	3 921 824
Advertising	351 878	299 708
Bins sold	-	18 119
Building plan fees	2 536 550	3 829 849
Burial fees	1 476 774	1 457 173
Clearance certificates	524 398	501 232
Commission earned	247 867	223 743
Connection fees	-	796
Consent use revenue	435	23 764
Copies income	328 956	368 120
Dividends received	73 146	25 372
Entrance fees	89 408	23 445
Escorting fees	97 481	-
Farming income	11 350	19 639
Gymnasium fees	-	182 661
Insurance claims	155 512	5 148 047
Landfill site income	56 976	36 188
Membership fees	88 798	1 254
Recovery monies	124 269	3 476
Sale of debtors' right to collect	12 701 264	1 923 077
Social responsibility income	-	12 478
Staff parking	-	1 816
Sundry surpluses	106 436	6 501
Surplus on disposal of stands	4 857 300	1 189 800
Tender documents	217 825	1 336 690
Town planning	40 873	11 805
	<b>26 885 542</b>	<b>20 566 577</b>

# Rand West City Local Municipality

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### 30. Property rates

#### Rates received

Assessment rates	206 594 222	188 357 680
Less: Income forgone (rebates)	(19 455 273)	(20 371 489)
	<b>187 138 949</b>	<b>167 986 191</b>

#### Valuations R'000

Agricultural	1 439 336	1 916 605
Business and commercial	2 363 445	2 403 045
Government	932 763	106 479
Residential	11 545 577	11 302 024
Vacant land	188 537	154 532
	<b>16 469 658</b>	<b>15 882 685</b>

Valuations on land and buildings are performed every 4 years. The last general valuations came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by Council is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2021.

### 31. Government grants and subsidies

#### Operating grants

Equitable Share	274 919 372	239 112 000
Municipal Infrastructure Grant	3 225 050	4 226 224
Finance Management Grant	3 170 000	3 100 000
Municipal Demarcation Transition Grant	-	4 566 000
Gauteng Department of Sports, Recreation, Arts and Culture Grant	19 284 000	19 249 647
Skills Development Grant	923 376	1 725 402
Expanded Public Works Programme	2 454 891	3 673 000
Gauteng Department of Corporative Governance Grant	1 000 000	12 000 000
Aids District Programme	2 580 402	2 227 742
	<b>307 557 091</b>	<b>289 880 015</b>

#### Capital grants

Municipal Infrastructure Grant	88 749 950	83 453 100
Municipal Water Infrastructure Grant	55 000 000	35 000 000
Integrated National Electrification Programme	10 000 000	12 000 000
Gauteng Department of Human Settlements Grant	88 383 000	57 220 046
Gauteng Department of Sports, Recreation, Arts and Culture Grant	1 000 000	2 076 041
Energy Efficiency and Demand Side Management Grant	5 998 423	-
	<b>249 131 373</b>	<b>189 749 187</b>
	<b>556 688 464</b>	<b>479 629 202</b>

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### 31. Government grants and subsidies (continued)

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents received a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10kl water.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	7 422 324
Current-year receipts	91 975 000	80 948 000
Conditions met - transferred to operating revenue	(3 225 050)	(4 226 224)
Conditions met - transferred to capital revenue	(88 749 950)	(83 453 100)
Refunded to National treasury	-	(691 000)
	-	-

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

#### Municipal Water Infrastructure Grant

Current-year receipts	55 000 000	35 000 000
Conditions met - transferred to revenue	(55 000 000)	(35 000 000)
	-	-

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

#### Gauteng Department of Human Settlements Grant

Balance unspent at beginning of year	-	25 143 709
Current-year receipts	88 383 000	15 686 250
Amount transferred by Gauteng Department of Human Settlements after year end	-	16 390 087
Conditions met - transferred to revenue	(88 383 000)	(57 220 046)
	-	-

The purpose of this grant is to provide funding for the creation of sustainable human settlements.

#### Finance Management Grant

Current-year receipts	3 170 000	3 100 000
Conditions met - transferred to revenue	(3 170 000)	(3 100 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

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### 31. Government grants and subsidies (continued)

#### Gauteng Department of Sports, Recreation, Arts and Culture Grant

Balance unspent at beginning of year	-	865 688
Current-year receipts	20 284 000	20 460 000
Conditions met - transferred to operating revenue	(19 284 000)	(19 249 647)
Conditions met - transferred to capital revenue	(1 000 000)	(2 076 041)
	-	-

The purpose of the grant is to support the municipality with the administration of libraries.

#### Skills Development Grant

Current-year receipts	923 376	1 725 402
Conditions met - transferred to revenue	(923 376)	(1 725 402)
	-	-

The purpose of the grant is to provide skills development within the municipality.

#### Expanded Public Works Programme

Current-year receipts	2 635 000	3 673 000
Conditions met - transferred to revenue	(2 454 891)	(3 673 000)
	<b>180 109</b>	-

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

#### Gauteng Department of Corporative Governance Grant

Current-year receipts	1 000 000	12 000 000
Conditions met - transferred to revenue	(1 000 000)	(12 000 000)
	-	-

The purpose of this grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

#### Integrated National Electrification Programme

Current-year receipts	10 000 000	12 000 000
Conditions met - transferred to revenue	(10 000 000)	(12 000 000)
	-	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings.

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### 31. Government grants and subsidies (continued)

#### Energy Efficiency and Demand Side Management Grant

Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	(5 998 423)	-
	<b>1 577</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to provide positive returns to energy consumers and the environment through the reduction of environmental pollution and the carbon footprint of the energy sector and by enhancing energy security.

#### Aids District Programme

Balance unspent at beginning of year	123 746	-
Current-year receipts	2 579 400	2 351 488
Conditions met - transferred to revenue	(2 580 402)	(2 227 742)
	<b>122 744</b>	<b>123 746</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids.

#### Municipal Demarcation Transition Grant

Current-year receipts	-	4 566 000
Conditions met - transferred to revenue	-	(4 566 000)
	<b>-</b>	<b>-</b>

The purpose of this grant was to finance expenditure in relation to the merger of Randfontein and Westonaria Local Municipalities.

#### Gauteng Department of Social Development Grant

Balance unspent at beginning of year	8 462 946	8 462 946
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Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to promote social development within the communities.

#### Public Contribution

Balance unspent at beginning of year	3 990 216	3 990 216
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Conditions still to be met - remain liabilities (see note 18).

The purpose of the public contribution is to assist in minimising infrastructure backlogs.

## Rand West City Local Municipality

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#### 32. Public contributions and donations

Property, plant and equipment	40 422 137	25 874 442
Investment property	-	11 817 000
	<b>40 422 137</b>	<b>37 691 442</b>

##### Property, plant and equipment

During the current financial year, PlusNet donated a refurbished substation to the value of R 335 868 situated in Aureus, The Department of Sports, Arts, Culture and Recreation donated Randfontein community library to the value of R 21 279 555.46 and Munbak Developments (Pty) Ltd installed infrastructure with the electrification project of Toekomsrus extension 2 phase 2 valued at R 4 835 275.60 and donated it to the municipality.

Azaadville Gardens (RF) (Pty) Ltd installed infrastructure with the electrification project of Azaadville Gardens: Electrical infrastructure Construction phase 2, 3 and 4) valued at R 4 667 873 and transferred full ownership to the Rand West City Local Municipality by way of donation.

The municipality also received movable assets amounting to R 9 303 565 from the Department of Agriculture.

In the prior year, Rand Uranium donated land with a fair value of R 25 196 535 to the municipality for landfill site and cemeteries, and the Gauteng Provincial Department of Sport, Arts, Culture and Recreation donated furniture and computer equipment amounting to R 677 907 for use at the libraries.

##### Investment property

In the prior year, Sibanye Gold LTD and Rand Uranium donated unimproved land with a fair value of R 6 767 000 and R 5 050 000 respectively to the municipality during the financial year.

#### 33. Fines

Traffic fines	8 134 658	14 347 830
Consumer fines	6 138	590 796
	<b>8 140 796</b>	<b>14 938 626</b>

# Rand West City Local Municipality

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<b>34. Employee related costs</b>		
Acting allowances	1 584 031	684 278
Basic	332 639 491	319 211 306
Bonus (13th cheque)	25 196 287	20 309 445
Cellphone allowances	3 811 164	5 996 795
Defined contribution plans	61 090 821	55 982 579
Group insurance	149 852	139 464
Housing benefits and allowances	3 336 503	5 697 245
Leave pay	13 131 572	34 150 042
Medical aid - company contributions	40 289 319	36 583 093
Overtime payments	22 508 741	23 313 053
Performance bonuses	-	1 410 152
SDL	4 398 221	4 327 403
Standby allowances	2 368 327	2 645 369
Sundry allowances	4 031 079	2 818 039
Travel allowances	20 619 889	20 075 245
UIF	2 359 935	2 333 210
	<b>537 515 232</b>	<b>535 676 718</b>

Included in the above employee costs is the remuneration of the Municipal Manager and Executive Managers reporting directly to the Municipal Manager (Section 56 managers) which are detailed below.

### Remuneration of Municipal Manager: Mr. T. Goba

Annual Remuneration	1 578 573	1 377 486
Travel allowance	120 000	120 000
Cellphone allowance	20 000	18 000
Contributions to UIF, Medical and Pension Funds	14 927	13 140
	<b>1 733 500</b>	<b>1 528 626</b>

The Municipal Manager was appointed on 01 June 2017.

### Remuneration of Chief Financial Officer: See note below

Annual Remuneration	933 435	1 082 649
Travel allowance	108 000	145 718
Acting allowance	38 348	-
Leave paid	122 195	-
Cellphone allowance	13 500	18 000
Contributions to UIF, Medical and Pension Funds	11 634	12 248
	<b>1 227 112</b>	<b>1 258 615</b>

In the current financial year, the Chief Financial Officer was Ms. B. Gunqisa from 01 July 2018 and resigned on 31 March 2019. She was paid a total remuneration of R 1 188 764. From 01 April 2019 to 30 June 2019, Ms. N. Madonsela was acting Chief Financial Officer and was paid an acting allowance of R 38 348.

In the prior financial year, Ms. B. Gunqisa was the Chief Financial Officer.

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### 34. Employee related costs (continued)

#### Remuneration of Chief Operating Officer: Mr. L. Steyn

Annual Remuneration	1 241 466	1 091 254
Travel allowance	147 114	149 516
Performance Bonuses	-	94 787
Leave paid	121 690	246 480
Cellphone allowance	19 000	18 000
Contributions to UIF, Medical and Pension Funds	13 993	14 872
	<b>1 543 263</b>	<b>1 614 909</b>

The Chief Operating Officer was appointed on 04 August 2016.

#### Remuneration of Executive Infrastructure Services: Mr. B. Nkambule

Annual Remuneration	1 139 763	998 566
Travel allowance	248 817	248 817
Performance Bonuses	-	94 787
Leave paid	-	31 650
Cellphone allowance	19 000	18 000
Contributions to UIF, Medical and Pension Funds	13 928	13 743
	<b>1 421 508</b>	<b>1 405 563</b>

The above Executive Manager was appointed on 04 August 2016.

#### Remuneration of Executive Manager Corporate Support Services: Mr. L.M. Nkele

Annual Remuneration	1 292 580	870 684
Travel allowance	96 000	72 000
Acting allowance	-	127 649
Cellphone allowance	19 000	13 500
Contributions to UIF, Medical and Pension Funds	11 943	8 120
	<b>1 419 523</b>	<b>1 091 953</b>

During the current financial year, Mr. L.M. Nkele was Executive Manager Corporate Support Services.

In the prior financial year, Ms. L Pakkiri was acting Executive Manager Corporate Support Services from 01 July to 30 September 2017 and received an acting allowance of R 127 649. Mr. L.M. Nkele was appointed on 01 October 2017 and paid a total remuneration of R 964 304.

#### Remuneration of Executive Manager Community Services: Ms. L.A. Modiba

Annual Remuneration	1 312 580	1 043 994
Travel allowance	76 000	88 000
Acting allowance	-	31 630
Cellphone allowance	19 000	16 500
Contributions to UIF, Medical and Pension Funds	14 028	11 399
	<b>1 421 608</b>	<b>1 191 523</b>

During the current financial year, Ms L.A. Modiba was the Executive Manager Community Services.

In the prior financial year, Ms. T.M Ramathape was acting Executive Manager Community Services from 01 July to 31 July 2017 and received an acting allowance of R 31 630. Ms L.A. Modiba was appointed on 01 August 2017 and was paid a total remuneration of R 1 159 893.

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### 34. Employee related costs (continued)

#### Remuneration of Executive Manager Development and Planning: Mr. M.G. Sitei

Annual Remuneration	1 198 066	731 690
Travel allowance	192 000	141 076
Acting allowance	-	134 885
Cellphone allowance	19 000	13 500
Contributions to UIF, Medical and Pension Funds	12 554	7 810
	<b>1 421 620</b>	<b>1 028 961</b>

During the current financial year, Mr. M.G. Sitei was the Executive Manager Development and Planning.

In the prior financial year, Mr. V Hadebe was acting Executive Manager Development and Planning from 01 July to 30 September 2017 and received an acting allowance of R 134 885. Mr. M.G. Sitei was appointed on 01 October 2017 and received a total remuneration of R 894 076.

#### Remuneration of the Chief of Staff: Mr. C.H. Stoffels

Annual Remuneration	1 248 570	1 032 551
Travel allowance	140 010	140 010
Cellphone allowance	19 000	9 000
Contributions to UIF, Medical and Pension Funds	13 900	11 633
	<b>1 421 480</b>	<b>1 193 194</b>

The Chief of Staff was appointed on 04 August 2016.

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### 35. Remuneration of councillors

Councillors

26 759 488

26 355 498

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2019	Appointment date	Annual remuneration	Travel allowances	Cellphone allowances	Total
Cllr. M.E. Khumalo (Executive mayor 01 July 2018 to 20 May 2019)	04 August 2016	574 993	191 665	39 605	806 263
Cllr. D. Sithole (MMC) (Executive mayor 20 May 2019 to 30 June 2019)	04 August 2016	501 122	167 030	44 400	712 552
Cllr. V. Nqina-Mzondeki (Speaker)	04 August 2016	515 686	171 887	44 400	731 973
Cllr. M. Jokazi (Council whip)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. J. Legoete (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. D. Molebatsi (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. T. Grobler (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. S. Mazibuko (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. S. Moumakwe (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. N. Dyase (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. G. Khoza (MMC)	04 August 2016	483 463	161 142	44 400	689 005
Cllr. B. Mahuma (MMC from 01 December 2018 to 30 June 2019)	04 August 2016	362 685	120 884	44 400	527 969
Cllr. A. Gela (MMC)	04 August 2016	431 253	143 740	39 605	614 598
Cllr. S. Matakane (MMC) (Late estate)	04 August 2016	124 964	41 652	11 935	178 551
Cllr. N. Mapena-Dlamini (MPAC Chairperson from 01 March 2019)	04 August 2016	344 564	45 327	44 400	434 291
Cllr. A. Mosina (MPAC Chairperson from 01 July 2018 to 28 February 2019)	04 August 2016	380 848	126 947	44 400	552 195
Cllr. B. Matebesi	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Mtyotywa	04 August 2016	226 662	45 327	44 400	316 389
Cllr. D. Machaba	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Ndamane	04 August 2016	226 662	45 327	44 400	316 389
Cllr. K. Tsotetsi	04 August 2016	203 998	67 991	44 400	316 389
Cllr. D. Mbulula	04 August 2016	203 998	67 991	44 400	316 389
Cllr. T. Tlholoe	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Sello	04 August 2016	203 998	67 991	44 400	316 389
Cllr. P. Faku	04 August 2016	203 998	67 991	44 400	316 389
Cllr. N. Matiwane	04 August 2016	203 998	67 991	44 400	316 389
Cllr. A. Saba	04 August 2016	203 998	67 991	44 400	316 389
Cllr. W. Matshaya	04 August 2016	203 998	67 991	44 400	316 389
Cllr. W. Njani	04 August 2016	203 998	67 991	44 400	316 389
Cllr. N. Kolo	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Ngamntwini	04 August 2016	203 998	67 991	44 400	316 389
Cllr. S. Khenene	04 August 2016	203 998	67 991	44 400	316 389
Cllr. I. Merabe	04 August 2016	203 998	67 991	44 400	316 389
Cllr. N. Ncele	04 August 2016	226 662	45 327	44 400	316 389
Cllr. N. Baza	04 August 2016	203 998	67 991	44 400	316 389
Cllr. A. Van Tonder	04 August 2016	203 998	67 991	44 400	316 389
Cllr. S. Erasmus	04 August 2016	203 998	67 991	44 400	316 389
Cllr. E. De Lange	04 August 2016	203 998	67 991	44 400	316 389
Cllr. C. Harrison	04 August 2016	203 998	67 991	44 400	316 389
Cllr. P. Dick	04 August 2016	226 662	45 327	44 400	316 389
Cllr. G. Samson	04 August 2016	203 998	67 991	44 400	316 389
Cllr. I. Ramphore	04 August 2016	203 998	67 991	44 400	316 389
Cllr. G. Kruger	04 August 2016	203 998	67 991	44 400	316 389
Cllr. E. Krog	04 August 2016	118 999	39 661	25 900	184 560

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### 35. Remuneration of councillors (continued)

Cllr. H. Hild	04 August 2016	203 998	67 991	44 400	316 389
Cllr. D. Cloete (Late estate)	04 August 2016	186 998	62 325	40 700	290 023
Cllr. N. Williams	04 August 2016	203 998	67 991	44 400	316 389
Cllr. P. Mavuso	04 August 2016	203 998	67 991	44 400	316 389
Cllr. P. Francis	04 August 2016	203 998	67 991	44 400	316 389
Cllr. S. Sekhokho	04 August 2016	203 998	67 991	44 400	316 389
Cllr. J. Biyela	04 August 2016	203 998	67 991	44 400	316 389
Cllr. F. Bergman	04 August 2016	203 998	67 991	44 400	316 389
Cllr. R. Masemola	04 August 2016	181 968	60 649	39 605	282 222
Cllr. B. Munyai	04 August 2016	203 998	67 991	44 400	316 389
Cllr. A. Zingela	04 August 2016	203 998	67 991	44 400	316 389
Cllr. J. Matebesi	04 August 2016	203 998	67 991	44 400	316 389
Cllr. B. Ramaphala	04 August 2016	203 998	67 991	44 400	316 389
Cllr. B. Letlhake	04 August 2016	203 998	67 991	44 400	316 389
Cllr. J. Letsholo	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Sethapo	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Mthimkhulu	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Nkoe	04 August 2016	203 998	67 991	44 400	316 389
Cllr. M. Chabane	04 August 2016	203 998	67 991	44 400	316 389
Cllr. C. Brough	04 August 2016	203 998	67 991	44 400	316 389
Cllr. Sityebi	04 August 2016	203 998	67 991	44 400	316 389
Cllr. J. Letlhake	01 April 2017	203 998	67 991	44 400	316 389
Cllr. M. Ramothlale	01 June 2017	203 998	67 991	44 400	316 389
Cllr. T.M. Mngomezulu	01 December 2018	116 890	38 959	25 423	181 272
Cllr. B.C. Dreyer	01 April 2019	53 194	17 729	11 577	82 500
Cllr. F. Volgraan	01 June 2019	6 800	2 266	1 480	10 546
Cllr. M.E. Matlaila	01 June 2019	6 800	2 266	1 480	10 546
Cllr. F.O. Matshogo (Late estate)	04 August 2016	178 056	59 345	38 754	276 155
Cllr. E.J. R Beaufort (Resigned)	04 August 2016	118 999	39 661	25 900	184 560
		<b>17 955 083</b>	<b>5 794 041</b>	<b>3 010 364</b>	<b>26 759 488</b>

### 2018

	Appointment date	Annual remuneration	Travel allowances	Cellphone allowances	Total
Cllr. M.E. Khumalo (Executive mayor)	04 August 2016	619 812	206 604	44 400	870 816
Cllr. V. Nqina-Mzondeki (Speaker)	04 August 2016	496 602	165 276	44 400	706 278
Cllr. M. Jokazi (Council whip)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. J. Legoete (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. A. Gela (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. D. Molebatsi (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. T. Grobler (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. S. Matakane (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. S. Mazibuko (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. S. Moumakwe (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. N. Dyase (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. D. Sithole (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. G. Khoza (MMC)	04 August 2016	464 868	154 944	44 400	664 212
Cllr. A. Mosina (MPAC Chairperson)	04 August 2016	451 224	150 408	44 400	646 032
Cllr. B. Matebesi	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Mtyotywa	04 August 2016	196 152	65 376	44 400	305 928
Cllr. D. Machaba	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Ndamane	04 August 2016	196 152	65 376	44 400	305 928
Cllr. K. Tsotetsi	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Mapena-Dlamini	04 August 2016	196 152	65 376	44 400	305 928
Cllr. D. Mbulula	04 August 2016	196 152	65 376	44 400	305 928
Cllr. T. Tlholoe	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Sello	04 August 2016	196 152	65 376	44 400	305 928

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### 35. Remuneration of councillors (continued)

Cllr. F. Matshogo	04 August 2016	196 152	65 376	44 400	305 928
Cllr. P. Faku	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Matiwane	04 August 2016	196 152	65 376	44 400	305 928
Cllr. A. Saba	04 August 2016	196 152	65 376	44 400	305 928
Cllr. W. Matshaya	04 August 2016	196 152	65 376	44 400	305 928
Cllr. W. Njani	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Kolo	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Ngamntwini	04 August 2016	196 152	65 376	44 400	305 928
Cllr. S. Khenene	04 August 2016	196 152	65 376	44 400	305 928
Cllr. I. Merabe	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Ncele	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Baza	04 August 2016	196 152	65 376	44 400	305 928
Cllr. A. Van Tonder	04 August 2016	196 152	65 376	44 400	305 928
Cllr. S. Erasmus	04 August 2016	196 152	65 376	44 400	305 928
Cllr. E. De Lange	04 August 2016	196 152	65 376	44 400	305 928
Cllr. C. Harrison	04 August 2016	196 152	65 376	44 400	305 928
Cllr. J. Beaufort	04 August 2016	196 152	65 376	44 400	305 928
Cllr. P. Dick	04 August 2016	196 152	65 376	44 400	305 928
Cllr. G. Samson	04 August 2016	196 152	65 376	44 400	305 928
Cllr. I. Ramphore	04 August 2016	196 152	65 376	44 400	305 928
Cllr. B. Mahuma	04 August 2016	196 152	65 376	44 400	305 928
Cllr. G. Kruger	04 August 2016	196 152	65 376	44 400	305 928
Cllr. E. Krog	04 August 2016	196 152	65 376	44 400	305 928
Cllr. H. Hild	04 August 2016	196 152	65 376	44 400	305 928
Cllr. D. Cloete	04 August 2016	196 152	65 376	44 400	305 928
Cllr. N. Williams	04 August 2016	196 152	65 376	44 400	305 928
Cllr. P. Mavuso	04 August 2016	196 152	65 376	44 400	305 928
Cllr. P. Francis	04 August 2016	196 152	65 376	44 400	305 928
Cllr. S. Sekhokho	04 August 2016	196 152	65 376	44 400	305 928
Cllr. J. Biyela	04 August 2016	196 152	65 376	44 400	305 928
Cllr. F. Bergman	04 August 2016	196 152	65 376	44 400	305 928
Cllr. R. Masemola	04 August 2016	196 152	65 376	44 400	305 928
Cllr. B. Munyai	04 August 2016	196 152	65 376	44 400	305 928
Cllr. A. Zingela	04 August 2016	196 152	65 376	44 400	305 928
Cllr. J. Matebesi	04 August 2016	196 152	65 376	44 400	305 928
Cllr. B. Ramaphala	04 August 2016	196 152	65 376	44 400	305 928
Cllr. B. Letlhake	04 August 2016	196 152	65 376	44 400	305 928
Cllr. J. Letsholo	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Sethopo	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Mthimkhulu	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Nkoe	04 August 2016	196 152	65 376	44 400	305 928
Cllr. M. Chabane	04 August 2016	196 152	65 376	44 400	305 928
Cllr. C. Brough	04 August 2016	196 152	65 376	44 400	305 928
Cllr. Sityebi	04 August 2016	196 152	65 376	44 400	305 928
Cllr. J. Letlhake	01 April 2017	196 152	65 376	44 400	305 928
Cllr. M. Ramothale	01 June 2017	196 152	65 376	44 400	305 928
		<b>17 469 546</b>	<b>5 822 352</b>	<b>3 063 600</b>	<b>26 355 498</b>

### In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Speaker and Chief Whip each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards and the Speaker has one full-time bodyguard.

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<b>36. Depreciation and amortisation</b>		
Property, plant and equipment	169 779 028	185 788 966
Intangible assets	1 275 952	1 605 430
	<b>171 054 980</b>	<b>187 394 396</b>
<b>37. Impairment loss of assets</b>		
Property, plant and equipment	12 076 561	13 803 798
See note 12 for detailed reasons for impairment per class of property, plant and equipment.		
<b>38. Finance costs</b>		
Trade and other payables	31 663 128	23 768 915
Finance leases	409 084	566 176
Current borrowings	112 997	687 107
Interest due to discounting of receivables	14 183 692	12 834 264
Interest cost on employee benefit obligations	15 503 869	14 408 732
Interest cost on landfill site provision	11 035 117	10 907 187
	<b>72 907 887</b>	<b>63 172 381</b>
<b>39. Debt impairment</b>		
Contributions from receivables from exchange transactions	109 137 422	116 079 350
Contributions from long term receivables	(3 719 491)	(1 020 795)
Contributions from receivables from non exchange transactions	(7 089 083)	15 657 235
	<b>98 328 848</b>	<b>130 715 790</b>
<b>40. Assets derecognised</b>		
Property, plant and equipment	30 343 154	31 796 020
Heritage assets	18 141	-
	<b>30 361 295</b>	<b>31 796 020</b>
<b>41. Bulk purchases</b>		
Electricity	477 194 187	472 317 090
Water	249 908 040	211 636 662
	<b>727 102 227</b>	<b>683 953 752</b>
<b>42. Contracted services</b>		
Credit cost control	39 129 612	10 238 760
Fleet management	28 334 471	6 142 860
IT support	5 571 743	2 957 469
Meter management	28 005 307	14 374 978
Prepaid vending costs	11 019 243	12 919 069
Security Services	37 813 921	23 773 728
Water purification contract	362 373	1 103 140
	<b>150 236 670</b>	<b>71 510 004</b>

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### 43. Grants and subsidies paid

#### Other subsidies

SPCA Grant	-	1 590 000
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### 44. General expenses

Advertising and communication	476 008	620 767
Audit committee costs	316 072	423 680
Auditors remuneration	7 984 448	9 671 643
Bank charges	5 721 828	5 993 081
Burial expenses	229 470	397 369
Bursary expenses	540 370	3 768 917
Cleaning	6 293	271 105
Commission paid and discounts allowed	1 467	95
Consulting and professional fees	12 721 757	25 953 724
Consumables	1 160 880	5 838 137
Farming	154	15 067
Fuel and oil	8 704 461	9 142 919
Insurance	2 987 360	3 022 005
Library programs	305 906	1 217 696
Motor vehicle expenses	3 119 712	1 574 105
Municipal demarcation transition expenses	-	1 386 539
Municipal events and improvements	7 091 828	11 113 558
Municipal service charges	1 263 505	4 609 455
Occupational health	172 973	115 680
Performance management system	-	1 438 466
Postage and courier	2 093 172	1 695 736
Printing and stationery	976 506	464 820
Refuse	-	313 977
Repairs and maintenance	40 506 540	64 542 261
Software licences	6 760 545	4 995 162
Subscriptions and membership fees	5 288 798	5 138 951
Telephone and fax	5 463 333	3 002 313
Traffic control expenses	-	614
Training	549 452	1 904 421
Travel and subsistence	187 962	170 496
Uniforms	2 606 469	1 742 739
Valuation expenses	-	716 336
Water research levy	4 622 748	4 599 402
	<b>121 860 017</b>	<b>175 861 236</b>

### 45. Gain on disposal of assets

Property, plant and equipment	4 842 982	-
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In the 2017/18 financial year, the municipality derecognised redundant and unserviceable assets from the municipality's assets register as shown in note 40, an included in the derecognised assets were the auctioned ones which had a carrying amount of R 4 454 015 at time of derecognition. In the 2018/19 financial year, an auction was held to dispose these assets and a gross amount of R 6 061 707 less costs to sell amounting to R 492 278 resulting in a net amount of R 5 569 429 (Vat inclusive) being realised. The net gain realised excluding VAT amounted to R 4 842 982. The carrying amount of the assets disposed was Nil as they were derecognised in the 2017/18 financial year.

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<b>46. Fair value adjustments</b>		
Investment property	8 552 856	8 682 043
Biological assets	(86 803)	(14 480)
	<b>8 466 053</b>	<b>8 667 563</b>
<b>47. Cash generated from operations</b>		
Deficit	(78 816 647)	(200 927 875)
<b>Adjustments for:</b>		
Depreciation and amortisation	171 054 980	187 394 396
Gain on disposal of assets	(4 842 982)	-
Fair value adjustments	(8 466 053)	(8 667 563)
Public contributions and donations	(40 422 137)	(37 691 442)
Impairment loss of assets	12 076 561	13 803 798
Debt impairment	98 328 848	130 715 790
Movements in employee benefit obligation	13 025 727	14 356 467
Movements in provisions	12 264 544	13 267 951
Assets derecognised	30 361 295	31 796 020
<b>Changes in working capital:</b>		
Inventories	157 735	(173 081)
Receivables from exchange transactions	(123 773 998)	(81 887 927)
Receivables from non-exchange transactions	(2 778 631)	(26 759 210)
Prepayments	60 377	(180 940)
Payables from exchange transactions	276 851 693	113 789 825
VAT	(19 951 379)	9 274 171
Payables from non-exchange transactions	(14 036 109)	19 609 866
Unspent conditional grants and receipts	180 684	(33 307 975)
Consumer deposits	(4 381 036)	18 698 686
	<b>316 893 472</b>	<b>163 110 957</b>

# Rand West City Local Municipality

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### 48. Commitments

#### Already contracted for but not yet spent

##### Capital expenditure

• Buildings	815 068	815 068
• Community assets	15 650 700	26 575 632
• Infrastructure assets	20 062 331	120 991 463
• Leased assets	526 579 712	-
	<b>563 107 811</b>	<b>148 382 163</b>

##### Operating expenditure

• Contracted services	-	617 920
• General expenses	90 296 893	68 463 393
	<b>90 296 893</b>	<b>69 081 313</b>

##### Total commitments

Capital expenditure	563 107 811	148 382 163
Operating expenditure	90 296 893	69 081 313
	<b>653 404 704</b>	<b>217 463 476</b>

This committed expenditure relates to capital and operating expenditure and will be financed by grants and internally generated funds.

#### Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. Contingent rent is payable based on quantity of papers printed on the rental of printers contract.

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## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
<b>49. Contingencies</b>		
<b>Contingent liabilities</b>		
Claim by Ashken for damages due to cancellation of an appointment as a service provider	41 335 330	-
Claim by Mr Grobler against the municipality for eviction application	6 500 000	6 500 000
Claim by P. Semono against the municipality for injuries sustained due to stepping into an open water drain.	2 763 681	2 763 681
Claim by N.B. Ngova for personal injuries sustained due to an uncovered hole	2 460 000	2 460 000
Claim by L.N. Khwaphuna over injuries sustained due to falling into an uncovered manhole	2 460 000	2 460 000
Claim by M.T. Mafokane for injuries sustained caused by an uncovered manhole in Westonaria	2 460 000	-
Claim by Roshqot for outstanding invoices for services rendered	2 372 205	-
Claim by Pipe Jack for services rendered	2 394 103	2 394 103
Claim by Maureen Sila as a result of failure to have covered/repared an open manhole that she fell into	1 900 000	1 900 000
Claim by Van Greunen Ann Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928	1 698 928
Claim by Enzani Technologies for services rendered	1 597 226	1 597 226
Claim by Muaz Dlodla Décor and projects for the outstanding payment for the services rendered to the municipality	1 500 000	1 500 000
Claim by Nomsa Yoyo for injuries suffered by the Plaintiff due to stepping into an uncovered manhole	1 300 000	-
Claim by Christo Dekker as a result of failure to have covered an open manhole that he fell into	1 200 000	1 200 000
Claim by M. Hlabanga for damages due to the Plaintiff stepping into an uncovered access hole.	1 170 000	-
Claim by L.M. Sobandi for damages relating to injuries suffered by the Plaintiff due to an open access hole	1 170 000	-
Claim by A Van Deventer for loss of maintenance and support due to the loss of life of the breadwinner	1 130 000	-
Claim by P.Z. Ndaba for damages due to injuries sustained by stepping into an open manhole	1 075 000	-
Claim by M.Nwabisa for injuries sustained caused by an uncovered manhole/drain.	850 000	850 000
Claim by Aranda Textile for loss of income due to power outages	612 513	612 513
Claim by Thembakazi Buso as a result of failure to have covered/repared an open manhole that she fell into	550 000	550 000
Claim by Adviddatta trading for economic loss and misrepresentation	500 000	500 000
Claim by Sibanye Gold and 5 others for disputes on rates	500 000	500 000
Claim by Myatrade 120 CC against the municipality for services rendered.	454 017	454 017
Claim by L.M. Zibula for injuries sustained due to falling into an open drain	450 000	450 000
Claim by Mahlaba Ramogohlo Welhemina as a result of failure to have covered/repared an open manhole that she fell into	400 000	400 000
Claim by Mokoduo Incorporated for legal services rendered	399 595	399 595
Claim by Matlakala Martha Kgarudi as a result of failure to have covered/repared an open manhole that she fell into	360 000	360 000
Claim Seshibe Makiletjie Gideon damages caused by an alleged assault by the traffic officer	300 000	300 000
Claim by Otilian Carlos as a result of falling into amanhole that the municipality failed to alert	250 000	250 000
Claim by Traffic Management Technologies for an objection to a Tender awarded to another party by the municipality	250 000	250 000
Claim by TP Mnguni for unfair labour practice	230 000	230 000
Claim by Quill associates against the Municipality for services rendered	177 755	-
Claim by A.A. Solwandle attorneys for services rendered.	149 838	-
Claim by B. Munyai for unfair labour practice.	140 000	140 000

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## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
<b>49. Contingencies (continued)</b>		
Claim by Katsura Solutions (PTY) LTD for the repayment of historical debt of a previous owner paid in order to obtain a clearance certificate.	137 086	137 086
Claim by Dempster Star (PTY) LTD for the repayment of historical debt of a previous owner paid in order to obtain a clearance certificate.	116 070	116 070
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000	100 000
Claim by PPB Mosing for damages due to municipality's failure to clear a refuse dump	87 410	87 410
Claim by Middel & Partners against the municipality for services rendered.	78 554	78 554
Claim by T. Radebe for unfair labour practice	77 841	-
Claim by SAMRO for licensing fees.	67 729	-
Claim by M. Groenewald for damages to the Plaintiff's vehicle due to a pothole.	37 132	-
Claim by N.M. Ndlovu for damages to the car due to council having failed to close or barricade a ditch	33 402	33 402
Claim by R J Panel beaters against the municipality for services rendered	31 831	31 831
Claim by R. Willemse for damages suffered due to a collision with a vehicle because of defective traffic lights.	31 026	31 026
Claim by N. Nel for damages to Plaintiff's vehicle due to a pothole	26 233	-
Claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606	25 606
Claim by DJB Coetzee for the damages caused to his vehicle when a municipal vehicle driven by an official collided with his vehicle.	11 025	11 025
Claim by Oudorp Beleggings for repayment of historical debt of a previous owner paid in order to obtain a clearance certificate	4 084	-
Claim by SAMWU OBO Managers for unfair labour practice	-	19 000 000
	<b>83 925 220</b>	<b>50 372 073</b>

Contingent liabilities with unknown claim amounts

- Claim by SAMWU on behalf of Mpshe for unfair labour practice.
- Claim by N.V. Sikhokane for unfair labour practice.
- Claim by Z. Mfaze for unfair labour practice.
- Claim by P. Mafika for unfair labour practice.

### Contingent assets

At the beginning of the 2017/18 financial year the municipality, the municipality opened with as unspent conditional grant for the Gauteng Department of Human Settlements of R 25 143 709, and during the current financial year an amount of R 71 100 000 was gazetted. By the end of the financial year, only R 15 686 250 was transferred to the municipality, and an amount of R 16 390 087 as disclosed in note 4 was transferred on 18 July 2018 hence was recognised as a receivable from non exchange transactions and the conditions met amounted to R 57 220 046. The amount of R 34 522 395 has not yet been transferred and this resulted in a possible asset that may arise because of a gain that is contingent on future events that are not under the municipality's control.

# Rand West City Local Municipality

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### 50. Related parties

#### Relationships

Accounting Officer

Refer to note 34

Executive Mayor

Refer to note 35

Speaker

Refer to note 35

Council Whip

Refer to note 35

Councillors

Refer to note 35

Inter governmental relations

Refer to note 31

Members of key management

Refer to note 34

Employees and organisations in which they have a direct or indirect material interest

Refer to related party transactions below

### Related party transactions

#### Purchases from / (sales to) related parties: Organisations in which councillors and/or employees have a direct or indirect material interest:

Aredireng Security & Projects: Councillor

1 215 846

384 596

Shumba Event Solutions cc: Councillor

5 600

37 700

For the above related parties, the transactions were within the normal course of business and there were no balances outstanding as at 30 June 2019 (30 June 2018: R 2 000 outstanding to Shumba Event Solutions cc).

### Councillors/Mayoral committee members

Refer to note 35 "Remuneration of councilors". The total amounts paid to councillors was R 26 759 488 (2018: R 26 355 498).

### Executive management

Refer to note 34 "Employee related costs". The total amount paid to municipal managers and executive managers was R 11 609 615 (2018: R 10 313 344).

# Rand West City Local Municipality

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## Notes to the Financial Statements

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### 51. Prior period errors

**Receivables from exchange transactions** was increased by R 163 927 due to prepaid electricity sales receivable not recognised in 2017/18.

**Investment property** was decreased by R 2 040 188 due to derecognition of investment property resulting from loss of control.

**Property, Plant and Equipment** was decreased by R 2 482 070 due to reclassification of assets to repairs and maintenance and increased by R 5 657 373 due to property, plant and equipment that was not previously accounted for.

**Intangible assets** was increased by R 144 155 due to capitalisation of computer software.

**Payables from exchange transactions** were increased by R 15 954 381 due to invoices that were not captured relating to the previous financial period and reversal of incorrect transactions.

**Payables from non exchange transactions** were decreased by R 2 211 538 due to the recognition of revenue for the work performed in 2017/18 on the debt collection deposit received as the condition had been met.

**VAT payable** was increased by R 1 313 295 due to expenditure invoices that were omitted in the prior financial period and reduced by R 288 462 due to the VAT on the revenue for the work performed in 2017/18 on the debt collection deposit received as the condition had been met.

**Provisions - current liability** was increased by R 7 931 788 due to interest charged on licensing agreement settlement on BIQ system that was previously used by the municipality. The system use paid for, however there is a court order against the municipality on interest from the date of claim of July 2013 to date which municipality the did not pay. The case was finalised in 2016 and the municipality paid interest for 2015 and 2016 only.

**Accumulated surplus** was increased by R 7 721 543 due to the restatement of items disclosed above.

**Service charges** was increased by R 142 545 due to prepaid electricity sales not recognised in 2017/18.

**Interest received** - outstanding receivables was reduced by R 2 041 666 due to the erroneous billing on the mines.

**Other income** was increased by R 1 923 077 due to the recognition of revenue for the work performed in 2017/18 on the debt collection deposit received as the condition had been met.

**Property rates** was decreased by R 30 625 000 due to reversal of billing on mines for the period July 2017 to January 2018 as per the outcome of the valuation appeal board.

**Depreciation and amortisation** was increased by R 30 845 due to additions of intangible assets and decreased by R 177 716 due to adjustments to property plant and equipment.

**Finance costs** decreased by R 1 287 135 due to interest in outstanding creditors that were not accounted for in prior year.

**Debt impairment** was decreased by R 32 666 667 due to reversal of billing on mines for the period July 2017 to January 2018 as per the outcome of the valuation appeal board as the amount had be fully impaired as at 30 June 2018.

**Contracted services** were adjusted for the following reasons:

- Increased by R 9 160 188 due to credit cost control and meter management invoices that were previously not accounted for in the prior year.

- Increased by R 9 100 329 due to the reclassification of General expenses to fleet management and IT supports costs in order to correctly align to the municipal standard chart of accounts.

**General expenses** was adjusted for the following reasons:

- Increased by R 3 346 760 due to invoices that were previously not accounted for in the prior year.

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### 51. Prior period errors (continued)

- Decreased by R 9 100 329 due the reclassification of rental expenses to contracted services in order to correctly align to the municipal standard chart of accounts.

- Decreased by R 175 000 due to reclassification from computer software expenses to intangible assets.

**Fair value adjustments** was decreased by R 78 469 due to derecognition of investment property resulting from loss of control.

Some of the above corrections resulted in an increase in unauthorised, fruitless and wasteful and irregular expenditure. Refer to note 56, 57 and 58 respectively for the corrections done.

The correction of the error(s) and reclassifications results in adjustments as follows:

Statement of Financial Position	Balance as previously reported	Prior period error	Reclassification	Restated balance
Receivables from exchange transactions	148 708 606	163 927	-	148 872 533
Investment property	239 590 271	(2 040 188)	-	237 550 083
Property, plant and equipment	3 808 586 983	3 175 303	-	3 811 762 286
Intangible assets	8 470 715	144 155	-	8 614 870
Payables from exchange transactions	(647 823 910)	(15 954 381)	-	(663 778 291)
Payables from non exchange transactions	(36 643 590)	2 211 538	-	(34 432 052)
VAT payable	(79 715 622)	1 024 833	-	(78 690 789)
Provisions - Current Liability	(4 062 180)	(7 931 788)	-	(11 993 968)
Accumulated surplus	(3 337 911 872)	7 721 543	-	(3 330 190 329)
	<b>99 199 401</b>	<b>(11 485 058)</b>	<b>-</b>	<b>87 714 343</b>

Statement of Financial Performance	Balance as previously reported	Prior period error	Reclassification	Restated balance
Service charges	(928 108 613)	(142 545)	-	(928 251 158)
Interest received - outstanding receivables	(25 657 785)	2 041 666	-	(23 616 119)
Other income	(18 643 500)	(1 923 077)	-	(20 566 577)
Property rates	(198 611 191)	30 625 000	-	(167 986 191)
Depreciation and amortisation	187 541 267	(146 871)	-	187 394 396
Finance costs	61 885 246	1 287 135	-	63 172 381
Debt impairment	163 382 457	(32 666 667)	-	130 715 790
Contracted services	53 249 488	9 160 188	9 100 329	71 510 005
General expenses	181 789 805	3 171 760	(9 100 329)	175 861 236
Fair value adjustments	(8 746 032)	78 469	-	(8 667 563)
	<b>(531 918 858)</b>	<b>11 485 058</b>	<b>-</b>	<b>(520 433 800)</b>

### Reconciliation of restated 2017/18 Deficit for the year

Deficit as previously reported	-	189 442 817
Prior year adjustments	-	11 485 058
<b>Restated* Deficit for the year</b>	<b>-</b>	<b>200 927 875</b>

### 52. Comparative figures

Certain comparative figures have been reclassified.

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### 53. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments liquidity risk arises largely from the municipality's ability to fund assets and meet financial obligation. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2019</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	940 629 983	-	-	-	940 629 983
Payables from non exchange transactions	20 395 943	-	-	-	20 395 943
Unspent conditional grants and receipts	12 757 592	-	-	-	12 757 592
Consumer deposits	56 667 054	-	-	-	56 667 054
Finance leases	9 091 623	20 123 504	-	-	29 215 127
	<b>1 039 542 195</b>	<b>20 123 504</b>	-	-	<b>1 059 665 699</b>

<b>At 30 June 2018</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	663 778 291	-	-	-	663 778 291
Payables from non exchange transactions	34 432 052	-	-	-	34 432 052
Unspent conditional grants and receipts	12 576 908	-	-	-	12 576 908
Consumer deposits	61 048 090	-	-	-	61 048 090
Finance leases	909 186	-	-	-	909 186
Borrowings	1 428 712	-	-	-	1 428 712
	<b>774 173 239</b>	-	-	-	<b>774 173 239</b>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality is exposed to significant credit risk as its consumers are largely unemployed and are from low income households. Concentrations of credit risk are as per the financial instruments detailed below and for their credit quality refer to the various notes. The municipality decreases its exposure and concentration of credit risk by only depositing cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents (Note 3)	30 016 660	43 051 043
Receivables from exchange transactions (Note 4)	183 196 583	148 872 533
Receivables from non exchange transactions (Note 5)	34 821 184	40 921 453
Long term receivables (Note 8)	1 117 166	2 356 996
Investments (Note 9)	4 176 040	12 957 188

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### 53. Risk management (continued)

Refer to the notes 3, 4, 5, 8 and 9 for the aging of the financial instruments and any impairment losses recognised in the current financial year.

In the current year, no investments have been pledged as security for borrowings. In prior year, investments were pledged as security on borrowing with a carrying amount of R 1 428 712 . Refer to note 21.

#### Market risk

The type of market risk that the municipality is exposed to is interest rate risk, this arises on interest-bearing financial instruments recognised in the statement of financial position. The Municipality manages this risk by fixing the interest rates on the loan. Refer to note 21 for information on borrowings.

### 54. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that the municipality had a net deficit of R 78 816 647 for the year ended 30 June 2019 and the current liabilities of R 1 111 505 001 exceeded the current assets of R 256 537 862 by R 854 967 139 as at 30 June 2019. The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints.

During the current financial year, the municipality experienced serious cash flow challenges. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances of creditors. There is a material uncertainty and, therefore, the municipality may be unable to realise its assets and discharge its liabilities in the normal course of service delivery.

Rand West City Local Municipality has developed a revenue enhancement strategy which seeks to address the issues that have contributed to the current situation. This strategy takes a holistic approach to the organisation and was presented to and approved by the Rand West City Local Municipality Council. The plan is for various strategies to effect the changes needed for viability and sustainability of the municipality but not all could be considered due to its' limited cash-flow and institutional capacity. In addition to this, the strategies will be balanced between short term and long term to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

### 55. Events after the reporting date

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year to the date of authorisation of these financial statements.

# Rand West City Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
<b>56. Unauthorised expenditure</b>		
Opening balance as previously reported	879 843 466	554 912 697
Correction of prior period error	(11 067 120)	-
<b>Opening balance as restated</b>	<b>868 776 346</b>	<b>554 912 697</b>
Add: Current year unauthorised expenditure	113 029 071	324 930 769
<b>Closing balance</b>	<b>981 805 417</b>	<b>879 843 466</b>

The current financial year unauthorised expenditure was due to under budgeting for the expenditure line items listed below. See Statement of Comparison of Budget and Actual Amounts and note 60 for detailed reasons of over spending.

**The over expenditure incurred by the municipality during the year is attributable to the following categories:**

Non-cash	94 733 293	231 883 348
Cash	18 295 778	93 047 421
	<b>113 029 071</b>	<b>324 930 769</b>

### Analysed as follows: non-cash

Employee related costs	11 572 759	33 499 592
Depreciation and amortisation	-	14 915 590
Impairment loss of assets	12 076 561	13 803 798
Finance costs	40 722 678	38 150 183
Debt impairment	-	99 718 165
Assets derecognised	30 361 295	31 796 020
	<b>94 733 293</b>	<b>231 883 348</b>

### Analysed as follows: cash

Employee related costs	6 847 695	7 904 258
Finance costs	3 754 634	15 856 021
Bulk purchases	-	42 156 927
Contracted services	7 693 449	11 927 892
General expenses	-	15 202 323
	<b>18 295 778</b>	<b>93 047 421</b>

### Disciplinary steps taken/criminal proceedings

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation. At 30 June 2019, all prior year unauthorised expenditure was being investigated by the Municipal Public Accounts Committee. Current financial year unauthorised expenditure will be reported to Council in the next financial year. No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

The prior year adjustments disclosed in note 51 resulted in the following adjustments to unauthorised expenditure:

### Reconciliation of correction of prior period error

Depreciation and amortisation	(146 871)
Impairment loss of assets	30 845
Finance costs	9 383 626
Debt impairment	(32 666 667)
Contracted services	9 160 187
General expenses	3 171 760
	<b>(11 067 120)</b>

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Figures in Rand	2019	2018 Restated*
<b>57. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	95 212 916	116 031 873
Correction of prior period error	15 430 294	-
<b>Opening balance as restated</b>	<b>110 643 210</b>	<b>116 031 873</b>
Add: Current year fruitless and wasteful expenditure	31 382 978	11 485 474
Less: Amounts written off by Council	-	(32 304 431)
<b>Closing balance</b>	<b>142 026 188</b>	<b>95 212 916</b>

The current financial year fruitless and wasteful expenditure was due to interests and penalties that were incurred due to cashflow challenges.

### Expenditure identified in the current year include those listed below:

Interest overdue creditors: Eskom	22 330 522	10 775 445
Interest overdue creditors: Telkom SA Ltd	21 989	49 320
Interest overdue creditors: Rand water	340 353	545 903
Interest overdue creditors: SARS	1 763 805	114 806
Interest overdue creditors: Quill Associates Pty Ltd	1 240 044	-
Interest overdue creditors: Cigicell	5 112 131	-
Interest overdue creditors: Auditor-General of South Africa	3 170	-
Interest overdue creditors: Kopano solutions	142	-
Interest overdue creditors: Munsoft	13 822	-
Interest overdue creditors: Roadmac surfacing	557 000	-
	<b>31 382 978</b>	<b>11 485 474</b>

### Action taken/ to be taken in respect of fruitless and wasteful expenditure

Management submitted all fruitless and wasteful expenditure incurred in prior periods to council for investigation. At 30 June 2019, all prior years fruitless and wasteful was investigated by the Municipal Public Accounts Committee and a total amount of R 32 304 341 was approved for write off by Council. Current financial year fruitless and wasteful expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

The prior year adjustments disclosed in note 51 resulted in the following adjustments to fruitless and wasteful expenditure. The interest charged by Cigicell was previously omitted from the 2017/18 register.

### Reconciliation of correction of prior period error

Interest overdue creditors: Quill Associates Pty Ltd	9 383 626
Interest overdue creditors: Cigicell	6 046 668
	<b>15 430 294</b>

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### 58. Irregular expenditure

Opening balance	212 591 041	576 643 965
Correction of prior period error	5 750 000	-
<b>Opening balance as restated</b>	<b>218 341 041</b>	<b>576 643 965</b>
Add: Current year irregular expenditure	146 367 287	149 725 773
Less: Amounts written off by Council	-	(513 778 697)
<b>Closing balance</b>	<b>364 708 328</b>	<b>212 591 041</b>

### Analysis of irregular expenditure awaiting investigation

Non-Compliance with Section 62 of MFMA	4 351 707	4 351 707
Non-Compliance with section 13 SCM Regulations	108 209	108 209
Non-Compliance with Section 65 of MFMA	23 619 802	15 129 104
Non-Compliance with Section 17 SCM Regulations	803 651	803 651
Non-Compliance with section 20 SCM Regulations	37 167 967	21 738 818
Non-Compliance with section 29 SCM Regulations	145 806 115	116 685 295
Non-Compliance with section 36 SCM Regulations	106 519 479	22 772 120
Non-Compliance with section 22 SCM Regulations	13 023 674	5 554 133
Non-Compliance with section 19 SCM Regulations	4 705 007	4 705 007
Non-Compliance with section 5(1) of MSA	187 764	187 764
Non-Compliance with MFMA Regulation 116(3)(b)	5 753 023	5 753 023
Non-Compliance with SCM Regulation 28	18 095 930	10 236 210
Non-Compliance with DoRA	4 566 000	4 566 000
	<b>364 708 328</b>	<b>212 591 041</b>

### Action taken / to be taken in respect of irregular expenditure

Management submitted all irregular expenditure incurred to council for investigation. At 30 June 2019, all prior year irregular expenditure was investigated by the Municipal Public Accounts Committee and a total amount of R 513 778 697 was approved for write off by Council. The write off was made up of R 262 201 973 submitted to Council by MPAC and R 251 576 724 was subsequent expenditure on the transgressions not complied to.

When council resolved the write off in the prior year, an amount of R 12 096 603 was referred for further investigation and an amount R 427 021 was resolved to be recovered from responsible officials. It was also resolved that the Accounting Officer should implement the necessary disciplinary against officials who misrepresented information. As at 30 June 2019, the processes were not yet concluded.

As at 30 June 2019, no criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes had not yet been concluded.

Current financial year irregular expenditure will be reported to Council in the next financial year.

### Correction of prior period error

The prior year adjustments on contracted services disclosed in note 51 resulted in prior period error correction on irregular expenditure of R 5 750 000 as the contract was non-compliance with section 36 SCM regulations.

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### 59. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	5 246 950	4 762 608
Amount paid - current year	(5 246 950)	(4 762 608)
	-	-

#### Material distribution losses

Electricity	115 650 202	99 423 320
Water	75 344 529	74 331 577
	<b>190 994 731</b>	<b>173 754 897</b>

Electricity distribution losses for the current financial year was 122,319,140 kilo watts (2018: 108,586,404 kilowatts) which represents 24% (2018: 21%) of total electricity purchased. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current financial period was 7,557,785 kilo litres (2018: 8,475,135 kilo litres) which represents 30% (2018: 35%) of total water purchased. These water distribution losses cannot be accounted for mainly due to theft, faulty pipes, spillages etc.

See note 41 for the total electricity and water bulk purchases for the financial year.

#### Audit fees

Opening balance	661 312	519 959
Current year subscription / fee	7 984 448	9 671 588
Amount paid - current year	(8 118 608)	(9 530 235)
	<b>527 152</b>	<b>661 312</b>

#### PAYE and UIF

Opening balance	5 757 698	6 174 783
Current year subscription / fee	76 134 749	72 832 277
Amount paid - current year	(75 627 417)	(73 249 362)
	<b>6 265 030</b>	<b>5 757 698</b>

#### Pension and Medical Aid Deductions

Opening balance	11 128 555	9 660 542
Current year subscription / fee	140 613 443	127 223 120
Amount paid - current year	(140 079 518)	(125 755 107)
	<b>11 662 480</b>	<b>11 128 555</b>

#### VAT

VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the year.

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### 59. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. D. Mbulula	10 686	130 251	140 937
Councillor. H.B. Munyai	1 131	18 603	19 734
Councillor. J.M. Ramaphala	4 958	9 697	14 655
Councillor. S. Majikija	2 025	8 461	10 486
Councillor. R.B. Mogatwe	1 211	8 238	9 449
Councillor. B. Mahuma	1 068	3 983	5 051
Councillor. W. Matshaya	101	4 688	4 789
Councillor. M.S. Ndamane	2 511	93	2 604
	<b>23 691</b>	<b>184 014</b>	<b>207 705</b>

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. D. Mbulula	11 491	116 432	127 923
Councillor. N.S. Kolo	2 662	1 805	4 467
Councillor. M.Sethopo	2 864	7 992	10 856
Councillor. H.B. Munyai	3 181	12 045	15 226
Councillor. M. Jokazi	3 178	26 392	29 570
Councillor. B. Mahuma	2 093	3 177	5 270
Councillor. W. Matshaya	131	4 256	4 387
	<b>25 600</b>	<b>172 099</b>	<b>197 699</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount
Councillor. D. Mbulula	140 937
Councillor. H.B. Munyai	19 734
Councillor. J.M. Ramaphala	14 655
Councillor. S. Majikija	10 486
Councillor. R.B. Mogatwe	9 449
Councillor. B. Mahuma	5 051
Councillor. W. Matshaya	4 789
Councillor. M.S. Ndamane	2 604
	<b>207 705</b>

30 June 2018	Highest outstanding amount
Councillor. D. Mbulula	127 923
Councillor. M. Jokazi	29 570
Councillor. H.B. Munyai	15 226
Councillor. M.Sethopo	10 856
Councillor. B. Mahuma	5 270

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## Notes to the Financial Statements

Figures in Rand	2019	2018 Restated*
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### 59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillor. N.S. Kolo		4 467
Councillor. W. Matshaya		4 387
		<b>197 699</b>

### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer.

#### Incident

In terms of SCM regulations 36 (a)(i): In an emergency	21 847 478	-
In terms of SCM regulations 36 (a)(v): Impractical or impossible to follow procurement process	56 170 227	16 321 047
	<b>78 017 705</b>	<b>16 321 047</b>

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

See note 50 for Councillors, employees and organisations in which they have a direct or indirect material interest.

#### Details of awards made: Nature

Imbawula Technical services: Director in the service of the state	17 553 297	1 393 769
Vodacom: Director in the service of the state	1 450 928	303 322
Aredireng Security & Projects: Director in the service of the state	1 215 846	384 596
Andre Rossouw Motors: Spouse in the service of the state	1 153 966	-
Dikgato engineering consultants: Director in the service of the state	605 391	211 595
Stewarts and Lloyds Projects (Pty) Ltd: Director in the service of the state	263 341	210 810
Basinas Trading Enterprise: Director in the service of the state	104 520	58 890
Gijima holdings (pty) Ltd: Director in the service of the state	48 750	24 812
Dash Trading Enterprise: Director in the service of the state	21 178	122 100
Mhleka Creative: Director in the service of the state	18 090	18 090
Delacon: Two directors in the service of the state	16 199	14 086
The Assisted Corp: Ward Committee member	8 940	-
Shumba Event Solutions cc: Director in the service of the state	5 600	37 700
Mphonesi Trading Projects: Spouse in the service of the state	-	200 063
Mokgopa Trading: Spouse in the service of the state	-	134 467
Mswako office solutions: Director in the service of the state	-	111 292
TNB Trading Enterprise Pty Ltd: Director in the service of the state	-	91 469
Morebo Events and Projects (Pty) Ltd: Spouse in the service of the state	-	56 000
Khulisa property consultants: Director in the service of the state	-	39 000
Chikara Consulting (pty) Ltd: Two directors in the service of the state	-	24 000
Schindler Lifts (SA): Two directors in the service of the state	-	16 450
Intrapit: Director in the service of the state	-	15 600
Themba Lama Vester Trading: Director in the service of the state	-	5 400
Otis: Director in the service of the state	-	2 839
	<b>22 466 046</b>	<b>3 476 350</b>

### 60. Budget differences

#### Material differences between budget and actual amounts

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### 60. Budget differences (continued)

All budget fluctuations above 10% in comparison to actual results for the financial period were considered material and are explained in the Statement of Comparison of Budget and Actual Amounts.

- 60.01 **Service charges** was lower than budgeted revenue due to revenue enhancement projects that did not yield the target.
- 60.02 **Rental of facilities and equipment** was higher than budgeted due to adhoc rentals that increased.
- 60.03 **Interest received - outstanding receivables** was above budget due to increase in non payment by consumers.
- 60.04 **Income from agency fees** was over budgeted for.
- 60.05 **Other income** was over budgeted for.
- 60.06 **Interest received - investment** was lower due to less money being invested in Investec and FNB call accounts.
- 60.07 **Property rates** was over budgeted for.
- 60.08 **Government grants and subsidies** was within budget with a variance due to the unspent HIV and INEP grants.
- 60.09 **Public donations and contributions** was not budgeted for during the financial year.
- 60.10 **Fines** were over budgeted for, less traffic infringements were recorded during the current financial year.
- 60.11 **Employee related costs** realised an increase due to overtime and actuarial valuations that were overspent.
- 60.12 **Remuneration of councillors** was within budget
- 60.13 **Depreciation and amortisation** was within budget.
- 60.14 **Impairment loss of assets** was not budgeted for.
- 60.15 **Finance costs** were under budgeted for due to the interest costs on employee benefit obligation, landfill site and discounting receivables which were not budgeted for and interest on creditor's accounts mainly the Eskom account. The excess will be reported as fruitless and wasteful and unauthorised expenditure and will be reported to council in the next financial year.
- 60.16 **Debt impairment** was within budget.
- 60.17 **Assets derecognised** was not budgeted for.
- 60.18 **Repairs and maintenance** was within budget.
- 60.19 **Bulk purchases** was within budget.
- 60.20 **Contracted services** was more than budget due to higher credit control costs, meter management, fleet and security costs. The overspending was reported as unauthorised expenditure and will be reported to council in the next financial year.
- 60.21 **Transfers and subsidies** did not have any expenditure due to the municipality's financial constraints.
- 60.22 **General expenses** was within budget.
- 60.23 **Gain on disposal of assets** was not budgeted for.
- 60.24 **Fair value adjustments** was not budgeted for.
- 60.25 **Actuarial gains** was mainly increased due to the value of the Municipality's Employee benefit obligations valuations during the financial year which was not budgeted.

# Rand West City Local Municipality

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## Appendix A

### Unaudited Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip Rand
			Rand	Rand	Rand	Rand	
<b>Development Bank of South Africa</b>							
Development Bank of South Africa	61001399	30/09/2018	1 428 712	-	1 428 712	-	-
			<b>1 428 712</b>	<b>-</b>	<b>1 428 712</b>	<b>-</b>	<b>-</b>
<b>Finance lease</b>							
Kwane fleet services		27/06/2022	-	30 229 298	1 014 171	29 215 127	28 867 089
Fleet Africa	000348	28/07/2018	779 877	-	779 877	-	-
Wesbank	LS-9/09/15	30/11/2018	129 309	-	129 309	-	-
			<b>909 186</b>	<b>30 229 298</b>	<b>1 923 357</b>	<b>29 215 127</b>	<b>28 867 089</b>
<b>Total external loans</b>							
Development Bank of South Africa			1 428 712	-	1 428 712	-	-
Finance lease			909 186	30 229 298	1 923 357	29 215 127	28 867 089
			<b>2 337 898</b>	<b>30 229 298</b>	<b>3 352 069</b>	<b>29 215 127</b>	<b>28 867 089</b>